

# Egypt expels Arab envoys after Tripoli declaration

Four Arab states and the Palestine Liberation Organization yesterday formed a unified military front against Israel. Syria, Libya, Algeria and South Yemen decided to freeze relations with Egypt, which retaliated by telling their ambassadors to leave. Mr Vance, American Secretary of State, is to tour the Middle East this weekend to arouse support for President Sadat's peace initiative.

## Unified military front against Israel

From David Wattis  
Tripoli, Dec 5

A new alignment of anti-Sadat Arab states was formed today at five rejectionist leaders signed the Declaration of Tripoli containing a series of political and economic measures designed to undermine the Egyptian leader's rapprochement with Israel.

But the Iraqis, the extremists' leaders among the rejectionists, found themselves excluded, at least temporarily, from the anti-Sadat camp and walked out of the conference last night.

In the final communiqué the delegation leaders of Syria, Libya, Algeria, South Yemen and the Palestine Liberation Organization announced the formation of a unified military front of confrontation.

They also decided to freeze diplomatic relations with Cairo, impose sanctions against any Egyptian individuals doing business with Israel, now the headquarters of the Arab League from Cairo and called on all Arab states to give full financial, political and military assistance to Syria as the main confrontation state.

Although it condemned President Sadat's Israel visit as "high treason", the communiqué avoided any reference to Resolution 242 of the United Nations, which provides for all the states in the area, including Israel, to live within secure and recognized borders.

The Iraqis had originally demanded that the final communiqué include a rejection of resolution 242 but this was not acceptable to the Syrians and the Iraqis walked out of the meeting.

At a press conference this morning, Mr Taha Jarawi, the leader of the Iraqi delegation and a member of the country's revolutionary Command Council, said that Iraq had proposed that a committee be set up to prepare a further summit in Baghdad at which a united front would be formed in order to give the Syrians time to re-examine their position. But during the Tripoli meeting President Assad had shown that he still believed in "peace agreements and other measures".

There was no serious obstacle in the way of a unified front, and all six leaders, Mr Jarawi said.

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## Sudden Vance journey to hardline capitals

From Patrick Brogan  
Washington, Dec 5

Mr Cyrus Vance, the Secretary of State, is to visit a number of Middle East countries, starting with Cairo on Friday. A State Department spokesman said the trip would enable Mr Vance to convey directly to the Arab leaders the importance of the United States' role in the peace initiative started by President Sadat, and to the OPEC conference which has called.

Those Arab leaders who have elected the "call to Cairo" could not be invited to change their minds because it would probably be too late, the spokesman said. It would be most surprising, however, if Mr Vance did not try to do so, whatever his spokesman says.

It is not realistic to suppose that he would succeed in Syria, indeed, it is not yet known whether he will be including Damascus in his trip.

But Jordan might be more easily persuaded. Mr Vance will visit Cairo, Jerusalem, Beirut, Amman and Riyadh after first attending a Nato meeting in Brussels on Thursday. He expects to return to Washington on December 15.

By comparison, Egypt will get \$75m in economic aid next year.

## Mr Benn fears party organization is Pandora's box

By Michael Hatfield  
Political Reporter

Labour policy-makers were warned yesterday by Mr Wedgwood Benn, Secretary of State for Energy, that they should open a Pandora's box of complaints if they decided to pursue an inquiry into the party's structure and organization.

Some trade unions are pressing for an inquiry, but the leading vote of the Chairmen, Mr Bryan Stanley, of the Post Office Engineering Union, which he also asked for an inquiry, the committee approved the idea of seeking further evidence from affiliated unions.

The first stop will be to ask

Mr David Bassett, general secretary of the General and Municipal Workers' Union, who initiated the demand for an investigation, to attend next month's meeting of the committee to put his views.

Left-wing members wanted the matter dropped, but, on the casting vote of the Chairman, Mr Bryan Stanley, of the Post Office Engineering Union,

which he also asked for an inquiry, the committee agreed to set up a working party to consider the matter.

## Wholesale price rises lowest since April 1973

By Mervyn Westlake

A continuing sharp decline in Britain's inflation rate during the early months of the new year seems virtually certain in the light of government figures, published yesterday, showing the favourable price trends now being experienced by industry.

According to the Department of Industry, wholesale or factory-gate prices showed their smallest rise in November for any single month since April 1973. Moreover, the cost of industry's raw materials and fuel is now less than it was a year ago.

In the coming months, these favourable trends will be translated into a slower rate of increase in the cost of living.

The rise in factory-gate prices last month of 0.3 per cent compared with a rise of 0.7 per cent in October.

Just as significant, wholesale prices have risen in the past six months at an annual rate of 9.5 per cent, the first time for some years that the rate of price increase has, on this measure, been in single figures.

As recently as last summer, the annual rate of increase over the previous six months was above 22 per cent.

Prices in the shops will be rising relatively more slowly than at the time when the Government will be faced by a number of key wage demands for public sector employees.

This will help to strengthen the hand of public sector employers in resisting claims that are above the officially defined level.

Between January and April more than 2.5 million public sector workers are due to negotiate fresh wage agreements. Wage settlements considerably below 10 per cent are still hoped for by ministers.

In an attempt to press this case, Treasury ministers are now forecasting that inflation will be down to between 6 and 7 per cent by early next summer.

Yesterday's wholesale price figures certainly give some support to these forecasts. November was the fourth good month, as prices have risen by a total of only 1.3 per cent since August. A slower rise in the price of new vehicles

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## Mother spurns rescue to die with children

A mother refused to leave her three children yesterday as their home burnt. Neighbours fought the outbreak with hoses and buckets of water.

She was found in the front bedroom of her council house in Cawood Road, Walscheid, Cambridgeshire, with the body of one of her children. The other two were found dead in the back bedroom. The children were Marzean, aged six, Jason, aged three, and Lisa, aged two.

A neighbour, Mr George Hollis, aged 35, a fitter, was driven back by flames, as was Mr John Dale, the children's father, who was in the garden when the fire started. The two men were taken to hospital. Mr Dale with severe shock and Mr Hollis with burns to his arms and a suspected dislocated shoulder.

Mr Hollis said: "We heard the kids screaming and went round the back with a ladder. I opened the back window but we could not get in because the smoke and flames were bad."

Neighbours tried using a garden hose but it was too late to gain entry that way.

An army team with a "Green Goddess" fire appliance arrived within five minutes of receiving an emergency call. Firemen left their picket line in Walscheid to help.

Senior Officer David Rayner, officer in charge at Walscheid, who is not on strike and was at home on standby, arrived first on the scene. He said the strike had not contributed to the deaths.

He used breathing apparatus, but got to the children too late. The family could not have been saved, he said, "because at the time the alarm was raised the house was well alight."

In east London, Sanjeev Gupta, aged six, died in a fire at his parents' shop. Four adults, including his parents, were taken to hospital.

The fire began in a small parade of shops in Camm Hall Road, Leytonstone, and fire-fighting sailors went there in Green Goddesses.

"They knew exactly where the boy was," Lieutenant Brian Davis, who was with the fire-fighters, said, but it was such an inferno that there was no way we could reach him."

In Nant-ty-Moel, Mid Glamorgan, Mrs Megan Thomas, aged 50, died after being overcome by smoke in a fire at her home.

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and his exact schedule has been left vague to allow him time to visit Damascus if he is invited.

He will be accompanied by Mr Alfred Atherton, Assistant Secretary of State for Middle Eastern Affairs, who is representing the United States at the Cairo conference, now planned to open on December 14.

The Under Secretary of State, Mr Philip Habib, whose constituency is also the Middle East, is in Moscow talking to the Russians about the latest developments. He will join Mr Vance on his travels.

It was made clear by the spokesman that Mr Vance will not carry specific American proposals for a Middle East settlement with him. This is not the moment, just before the Cairo conference.

Under an aid agreement signed here today, the United States will give Israel \$785m next year, of which \$485m will be commodity import loans and grants, and the rest a grant to help the Israeli economy. Israel will also get \$1,000m in military aid.

By comparison, Egypt will get \$75m in economic aid next year.

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Information from the unions.

The committee also decided to recommend the suspension from membership of the two Oxford lecturers, Mr Paul McCracken and Mr Julian Lewis, who have been taking legal action against the national executive of the Newman, North-east, Affiliates.

That recommendation, which has to be ratified by the full national executive, will depend on further legal advice. The committee did decide to initiate an inquiry into whether the two men's activities are contrary to the constitution of the party and to the rules of the

constituency party, and prejudicial to the best interests of the party.

The committee was split along ideological lines over the process of reselection of Labour MPs. Mr Jack Ashley, a member of the Mansfield Group, accused Mr Mikardo, of the Tribune Group, of misleading the party conference over the automatic reselection of MPs.

Again, on the casting vote of Mr Stanley, the committee agreed to set up a working party to consider the matter.

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## Commons insist Crown Agents inquiry must be in public

By Hugh Noyes  
Parliamentary Correspondent  
Westminster

nationalists and 71 Conservatives.

Among the surprising changes during the debate was a statement by Sir Harold Wilson that Mrs Hart, after coming to him with "horrifying" evidence, had been threatened with defamation proceedings if she disclosed all she knew about the Crown Agents' activities.

The Government will now

have to reconsider its plan for an inquiry under Sir Cyril Aarbold, former Recorder of London, and it is expected to accept the view of most MPs that a secret inquiry was not acceptable and that whatever form of investigation is set up, it must be held in the full light of day with all the powers necessary to call witnesses and produce documents.

As in the case of the

Group of left-wing Labour

MPs who initiated the emer-

gency debate, said it was essen-

tial to find the people who must

carry the responsibility for

the scandal. If they had moved

elsewhere that was no argument

for not exposing them. The

report, he said, was a shocking

indictment of the background

and atmosphere in which oper-

ations described took place.

To mourners in the House how

Mrs Hart had come to him with docu-

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even if only partly true.

It was now known to have been

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Praising Mrs Hart's efforts,

Sir Harold said she was warned

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Europa looks at monetary and economic union

tions, including the Bank of England and the Treasury.

But it was probably Sir

Harold Wilson, Prime Minister

for several of the years in

which the Crown Agents were

suffering losses, who swung

MPs against the Government's

case for a secret inquiry.

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Continued on page 2, col 5

## Bermuda curfew eased and first troops to be flown back to Belize

From Michael Leapman  
Hamilton, Bermuda, Dec 5

the panic buying seen on Saturday.

The risk, on the other hand, was that the presence of British troops might inflame anti-white feelings. "It revives the colonial stigma," Sir Peter said.

He did not, however, believe the youths were politically motivated. They were out for kicks and against all authority. Like young people everywhere, they were affected by drugs and by violence on television.

Although the riots were not serious in the sense that hardly anyone was injured, he said, the damage to property worried people in so small a community.

"It is as though all this were to happen in Cheltenham," he said.

Mr Gibbons, at his press conference, made the same point about the nature of the disturbances. Bermuda rioting, he said, was mild "compared with Washington or Notting Hill".

Discussing the political context of the past few days' events, Mr Gibbons pointed to

## HOME NEWS

## Fires reach 4,928 in week after drop at beginning of strike

By Donald Macintyre  
Labour Reporter

The number of fires has been rising after a marked drop at the start of the firemen's pay strike, which began on November 14, according to Home Office figures released yesterday.

The weekly total of reported fires remains below average, though apparently to the Government's campaign to encourage greater vigilance. But whereas in the first week of the strike there were only 3,992 fires in the United Kingdom, compared with the average November weekly total of 5,600 last week there were 4,928.

Deaths in fires, of which, up to 9 am yesterday, 63 had been reported since the strike began, are at a slightly higher rate than usual for the time of year, three days over the three weeks.

That average is usual over a year, but the daily toll in recent Novembers has been only 2.5.

The Home Office said last night that 13,734 fires had been reported since November 14, compared with a normal total for three weeks in November of 16,800.

An official expressed concern that people appeared to be becoming blasé.

The next stage in the dispute will be decided when the 16 members of the Fire Brigades Union executive meet in London today to consider strategy in the light of Friday's decision by the TUC's finance and general purposes committee not to support a national campaign against the 10 per cent limit on average earnings rates.

Mr Ronald Scott, secretary of the Strathclyde branch of

the FBU, said yesterday that a quarter of his men would leave their jobs if the Government did not meet the firemen's claim of a rise of 30 per cent.

"How they make up that figure is a matter for the employers or the Government," he said, "but the men are saying that if they do not get a rise this time there is not going to be a fire brigade."

Neither the Home Office nor the employers' side of the national joint council was able yesterday to state how many firemen have decided to resign.

The FBU says that of the 30,000 full-time firemen on strike a few hundred have probably done so.

The FBU's Tyne and Wear brigade committee stated yesterday that it would not try to obstruct troops who crossed picket lines to release equipment or to use fire stations.

Mr John Miller, secretary of the union's county branch, said the assurance to the county council was given after consultation with the Army's liaison officer, and suggested that there should be "blown-off" on the picket lines if the Army moved into fire brigades.

He added, however: "I hope the troops will not try to use fire station equipment, because it would endanger soldiers' lives if they were to do so without training." But the statement "did not mean that equipment and accommodation as used (by troops) will not be blacked by our members".

The FBU has received £1,000 from the Amalgamated Union of Engineering Workers (Foundry Section) and £5,000 from the National Union of Railwaysmen.

The NUR said the union did not necessarily support the firemen's case as a matter of policy.

## Financier to be sued on advice to pools winner

Mr David Holmes, former deputy treasurer of the Liberal Party, is being sued for alleged negligence over an investment advice to a football pools winner. It was disclosed last night.

Mr Terence Gibbs, a former minister, complains that he lost between £70,000 and £100,000 as a result of Mr Holmes's advice to invest part of his £169,000 pools win in a South Wales car park company.

Mr Gibbs's solicitor, Mr Ian Jewell, of Bridgend, Mid-Glamorgan, said last night that writs were being issued against Mr Holmes, a Manchester financier, and Mr John Le Mesurier, part-owner of the Pyle Cricket Company, near Bridgend.

Mr Bridgend, aged 47, of Black Mill, Bridgend, became a Vernors pools winner two years ago when Mr Holmes was an investment adviser for the company's big winners.

## Date is set for decision on aircraft routes

By Arthur Reed  
Air Correspondent

The Government will decide by mid-July on which routes airliners leaving Heathrow airport, London, and running south over heavily populated areas should take.

Announcing that to a meeting in London last night of MPs, local councillors and amenity group representatives, Mr Clinton Davis, Under-Secretary of State for Trade, said the Government rejected the idea of complete dispersal of aircraft leaving Heathrow.

Mr Davis recalled that the minimum noise route down the Mole Valley south of Heathrow was split as an experiment in June 1975, into two routes: Dunfold and Midhurst. Five new proposals had since been suggested by interested parties.

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## HOME NEWS

**Spina bifida babies 'given help to die'**

By Our Medical Correspondent  
Drugs are being given to handicapped babies to speed their deaths, a surgeon says in an article in the *British Medical Journal* today on the care of infants born with spina bifida (incomplete development of the spine and spinal cord).

Professor R. E. Zachary, who works at the Children's Hospital, Sheffield, says: "There is a widespread myth that if you operate on a child with spina bifida the child will live and if you do not operate the child will die. This is nonsense. They will die if they spontaneously."

Professor Zachary agrees that some babies are born so severely handicapped that no operation is justifiable. However, he maintains that, in those circumstances, instead of giving normal care and attention, some parents are given the babies high doses of drugs such as chloral or morphine. "No wonder these babies are sleepy and demand no feeds," he says.

"With this regimen most of them will die within a few weeks, many within the first week."

He believes that this attitude to spina bifida is a splitting from the disregard for life evident in the present willingness to terminate pregnancy if the foetus is known to be abnormal.

"If we eliminate all the severely affected children with spina bifida there will be no more problem," he writes. But if doctors look for opportunities to make sure that severely handicapped babies die in the first few days after birth, he believes the same attitude is likely to persist with older children. He asks: "Why stop at spina bifida; why not all the severely affected spastics, those with muscular dystrophy, and those with Down's syndrome?"

Doctors who use high doses of sedatives drugs in the treatment of newborn babies with severe handicap, he says, are entitled to their view that their actions are best for the child and the family, but there should be no pretence that all those babies are dying spontaneously.

**20 children hurt**

More than 20 children were treated for cuts and bruises after their school bus crashed into an estate agent's office at Stanmore Approach, Orpington, south London, yesterday.

**Princess fined**

Princess Margaret, of Sweden, was fined £15 and had her licence endorsed by Oxford City magistrates yesterday after admitting speeding.

**Sir John Garlick favoured as new Environment head**

By Peter Hennessy

Sir John Garlick, second Permanent Secretary to the Cabinet Office, is almost certain later this month to be named as Permanent Secretary to the Department of the Environment in succession to Sir Ian Bancroft.

Sir Ian was appointed Head of the Home Civil Service last week and is due to take up his post on January 1. The expectation in Whitehall is that an interregnum at Environment will be avoided.

The Senior Appointments Selection Committee meets in the next few weeks for its last session under the chairmanship of Sir Douglas Allen, the outgoing Head of the Home Civil Service. It is thought that the new permanent secretary who makes the appointment will recommend Sir John Garlick's name to the Prime Minister once Sir Douglas Allen has consulted Mr. Alan, Secretary of State for the Environment.

Sir John, aged 55, is due for a move. In October, 1974, he took over leadership of the

**Commercial art galleries, 2: Recession affects contemporary works**  
**Market improvement promises a good year**

By Roger Berthoud

When one asks two dozen dealers of all sorts how inflation and the recession have affected them, the answers start to vary. The effects of the 1973 oil price rise and subsequent Stock Exchange slump were not felt for about six months, the usual time lag for booms and slumps to work through to the trade.

Everyone agrees 1974 was very bad. There was no great drop in prices. But owners claim, there were very few buyers and costs rose sharply. Things began to pick up in 1975, last year was not too bad, and this year promises to be good for bigger dealers, though not back to the halcyon days of the 1960s.

Life remains difficult, however, for those less geared to exports and without the expensive stock that justifies the ever increasing expense of travel to trade fairs and clients abroad.

That is particularly true with contemporary paintings, where dealers have the pleasure of staging one-man exhibitions but also the extremely high cost of that form of "victorious creativity", as Mrs Gillian Rafferty, who shows sound figurative work at the Mercury Gallery in Cork Street, called it.

"My accountant is beginning to say shows are an indulgence," she said. Sales from stock of more expensive items are essential to stay afloat.

Cork Street has the highest concentration of modern galleries, three of which belong to Mr. Leslie Waddington, and one to his father, Mr. Victor Waddington. Mr. Leslie Waddington, who has artists such as Elisabeth Frink, Anthony Caro, Alan Jones, and other high flyers in his fold, merged last winter with the old-established Impressionists specialists, Arthur Tooth and Sons. He has a backer in Mr. Alexander Bernstein, deputy chairman of Granada Television.

Mr. Waddington said his overheads, which include staff, insurance, transport, rent and rates are about £8250 a week,

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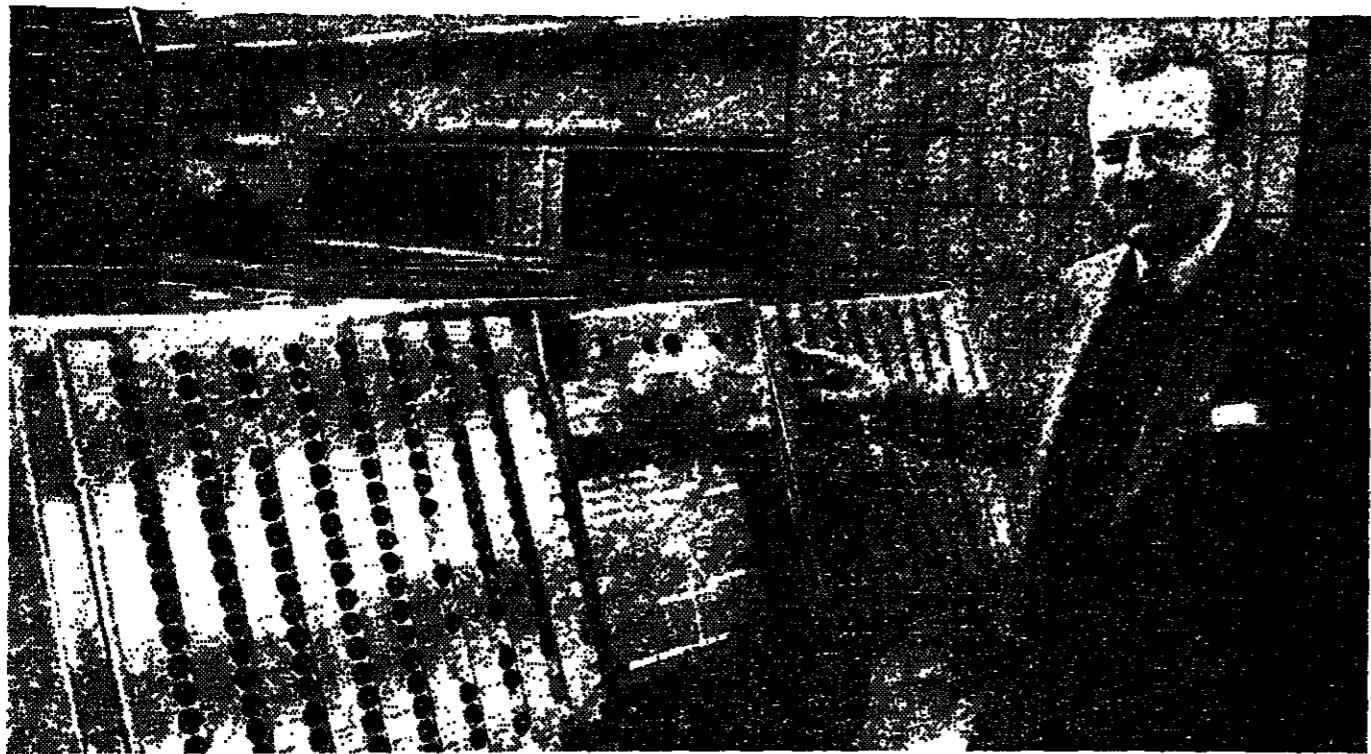
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## HOME NEWS



Computer-controlled journey planner, with information in three languages, at the new station.

**Strike will mean Queen has to walk**

By Philip Howard

December 16 will be a black day for London taxi drivers but a red letter day for travellers. The Queen is going to open Heathrow Central Underground station, the extension of the Piccadilly Line, which has taken nearly seven years in build and cost taxpayers and ratepayers £30m. Heathrow will become the first big international airport directly linked into the Underground system of a great capital city.

The only things not expected to be ready are the escalators, because of a strike by lift and escalator engineers. Passengers

will have to climb up or down 40 steps.

Mr Michael Robbins, managing director of railways at London Transport, said yesterday that it had been decided that there would be less public disappointment if the station was opened without escalators than if the opening was postponed. "The public knows about it and will take it in her stride."

London Transport's beautiful new station is not typical for one of the Queen's rare excursions into the Underground system. There are no graffiti yet on the bright yellow and orange paint. The telephones are working, and the telephone directors have not been stolen or defaced.

There are no advertisements for underwear beside the stationary escalators. Heathrow Central is as bright as a new pin, the most modern computerized and automated such gate-

way to internal railways in the world.

It is connected by wide moving walkways to the three airport terminal buildings. Everything is well waymarked with internationally recognized symbols. There is a travel information centre run by London Transport, British Rail, and the London Tourist Board.

A computer-controlled journey planner will project push-up route information on a screen in three languages, at least until it becomes the favourite toy of small boys and goes mad.

Train movements in and out of the station will be controlled by computer. An electrical substation has been built on the platform behind smoked glass, and closed-circuit television has been installed in the operations room. Cameras are linked to the line controller's office at Earls Court, giving a

view of the platforms at Heathrow.

Mercifully there are a number of seats in the ticket hall, where automatic ticket machines dispense tickets up to £1. There is a sterling exchange to enable foreign visitors to get enough money to feed the monkeys. Everything is tastefully decorated with symbols of tailfinches and cranes.

There is what is described as a "kiss-and-ride" bay, where motorists can set down or pick up underground passengers.

There are automatic doors and other wonders undreamt of on the travelworn trail of the Central Line. Specially designed trains with extra space for luggage are being introduced.

From Friday week a journey by Underground from Heathrow to Piccadilly Circus will cost £1.05. London Transport estimates that it will take 40 minutes.

**In brief****£100 more for drug find man**

Mr Russell Davis, a British Airways employee, of Egham, Surrey, who received a £5 reward after finding about £500,000 of heroin, received a personal letter of thanks and £100 yesterday from the Board of Customs and Excise.

Customs officers at Heathrow had written to their head office suggesting that Mr Davis should get more.

**Holidays in China**

Thomson Holidays has been given the permission by the Chinese Government to carry 900 people on package tours to Peking and Shanghai from January to May next year. The 12-night holidays will cost from £575.

**Ten held at airport**

Ten men were detained by detectives at Heathrow airport, London, yesterday in connection with inquiries into the theft of liquor and other goods from the bar of a British Airways aircraft.

**£2m improvements**

More than 60 sites in Glasgow are to be landscaped or made into sports pitches, playgrounds, walkways and car parks at a cost of £2m. The area was criticized recently by a Duke of Edinburgh study group.

**Correction**

The Society of West End Theatre Award for actor of the year in a revival was Ian McKellen, for his performance in *Pillars of the Community*, not Derek Jacobi (*Hamlet*) as stated yesterday.

**Students' funds not to aid outside causes**From Diana Geddes  
Education Correspondent

Blackpool

Students' union funds must not be used to support essentially non-student causes such as union strikes, the National Union of Students decided yesterday. Contributions to such causes should come only from the students' own pockets or specific fund-raising activities.

The decision to adopt the policy, proposed in an emergency motion by the executive five months ago by a narrow vote after one of the most heated debates of the union's four-day national conference, in Blackpool, which ended yesterday.

Opponents of the motion argued that restriction on spending attacked the autonomy of individual student unions. They should be able to support whatever they liked, including non-student events such as transport to help the Grindwick pickets or contributions to the firemen's strike. Unions should not have to account for their expenditure to outside bodies.

The national executive, however, argued that the financial structure must be publicly accountable. It fears that the Government, which is reviewing students' union financing, may impose restrictions unless unions put their houses in order first.

The NUS has received legal advice which shows that payments for purposes not related to the education, social activities, recreation or representation of students are outside the unions' power as defined by their constitutions and their charitable status.

In a background report to

**'Loyalist' council broke law**From Christopher Walker  
Belfast

Maghafel, a "loyalist"-controlled council, in co Londonderry was found guilty in the High Court in Belfast yesterday of discrimination for refusing to allow two young Gaelic footballers to take part in a government-aided coaching team last summer.

The case marked a legal milestone in the continuing attempts to outlaw discrimination in Ulster. It was the first to be brought under Section 19 of the Northern Ireland Constitution Act, introduced in 1973. Mr Justice Murray gave a reserved judgment.

The case arose after the local education authority, which pays the union's fees for most students, or the college authorities, may also be able to challenge union payments, the report says.

The union has asked counsel for legal advice on the whole issue. It hopes to send guidelines to students before the end of the year.

Mr Peter Ashby, deputy president of the union, said it would have been committing political suicide if it had not recognized the need to stop ultra vires payments.

The conference decided yesterday to call a national day of action tomorrow in support of the Fire Brigades' Union. In keeping with its new moderate line it rejected an emergency motion condemning the "racist state of Israel" and supporting the Palestinian cause, and voted instead for a motion recognizing the equal rights of Palestinians and Jews to national determination.

Under its present membership rules, he said, the GAA included a provision that was clearly discriminatory. He quoted a section of rule 15 which states: "British soldiers, Navy men, etc., policemen should be eligible for membership of the association."

He described the rule as having a distinctly unpleasant sting in its tail, because it also stated that any member participating in a Servicemen's or police dance would be suspended from the GAA for at least three months.

If the council coaching scheme had directly aided the GAA, and if the council had proposed handing money over directly to run it, then, because of rule 15, the defences point would have looked quite formidable, he said.

After a hearing, the Rev William McCrea, chairman of the council and a member of the Democratic Unionist Party, said the council's decision had been vindicated and the judgement showed that the Government was breaching the discrimination law in other respects by financing the GAA.

**Alarm at growing number of homeless girls**

By Penny Symon

The growing number of homeless young girls in Britain, some of them only 15, are alarming voluntary agencies trying to provide shelter for them. In London alone about two thousand girls will be homeless over Christmas.

Crisis at Christmas, the charity started 10 years ago to try to relieve some of the poverty and despair of single homeless people, particularly over the Christmas period, says in the report published yesterday that even in the recent past it had been assumed that young girls rarely became homeless. Surveys of 10 and 20 years ago showed a small, but neglected, population of older female "dossers". Although it was impossible to count them, it was estimated that there were no more than one or two thousand women, most of them of middle or advanced age.

Presenting the report, Mr Nicholas Scott, Conservative MP for Chelsea and chairman of the trustees, said there had

been a dramatic change and now young girls had become homeless in numbers large enough to cause deep concern among social and voluntary agencies.

The reasons for homelessness were many, but the break-up of a family was largely responsible as was the high unemployment rates among the young, which caused serious difficulties for young girls.

Accommodation was hard to get, so girls who had either left their homes or had been pushed out, tended to live in temporary hostels, "squats", sleep rough, or become prostitutes.

It would be wrong to assume, the report says, that most of the homeless girls had arrived in London from the provinces.

"While a number of them do come from outside the capital, there is good evidence to support the growing awareness that many of them in London are from the capital itself." As well as London, Manchester, Birmingham and Liverpool have

sleep to complete the work, but the orchestration of the first movement has not been finished.

The London Philharmonic Orchestra will see the score for the first time today and rehearse the work under Bernard Haitink each day until the concert.

Similar difficulties affected the premier of Williamson's *Mass of Christ the King*, which had to be performed incomplete earlier this year.

The symphony, dedicated to the Ministry of Agriculture, Fisheries and Food, the beginning of their negotiations for the 1978 farm price review.

Their case was strengthened by publication of a report from Exeter University which showed that the proceeds of dairy farming in south-west England were lower than 10

years ago.

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**Jubilee symphony will be performed unfinished**By Martin Huckerby  
Music Reporter

The new symphony by Malcolm Williamson, the Australian composer, and Master of the Queen's Music, has not been completed in time for its premiere at the Festival Hall before the Queen on Thursday, and only three of the four movements will be performed at the concert.

Mr Williamson explained yesterday that although he had planned his Symphony No 4 as an 18-minute work, it had grown under his hands until it had become "an enormous work" lasting more than half an hour.

He has been staying in the Camargue, working with little

sleep to complete the work, but the orchestration of the first movement has not been finished.

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**OVERSEAS**

## Seven blocks of territory form the second independent homeland with that made-in-Pretoria look

From Nicholas Ashford  
Musabago, Dec 5.

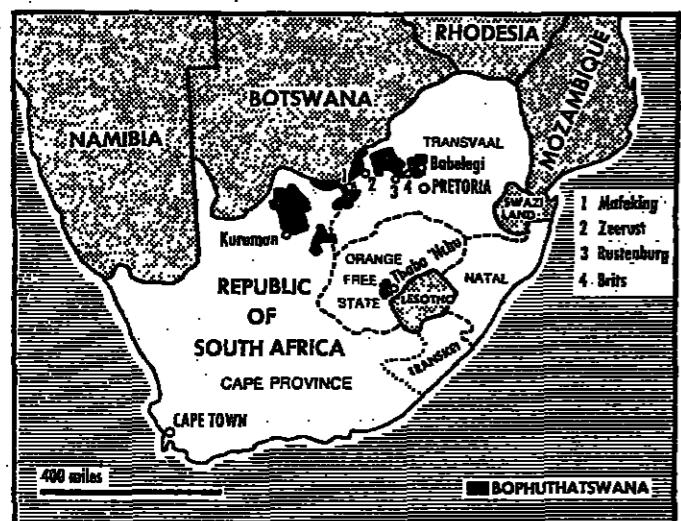
As midnight struck on the clock tower in Mafekeng, South Africa tonight, launched its second tribal homeland, Bophuthatswana, as an independent state to the accompaniment of a 101-gun salute.

In so doing, South Africa surrendered sovereignty over seven separate pieces of land whose total surface area is the size of Switzerland and with a population of 2,500,000 Tswanas speaking people.

The birth of the new nation—which will go unrecognized by the world at large as did the independence of Transkei a year ago—took place in a hastily-erected stadium made of steel scaffolding situated on the outer fringes of the Kalahari Desert. The independence stadium is the largest edifice in the nation's new capital, called Mmabatho, just outside Mafekeng.

Six months ago Mmabatho was virgin bush. Now, in addition to the stadium there is a new maroon and yellow parliament building, cluster of new houses for the President, Chief Mangaope and his ministers, a new luxury hotel-cum-casino and a garage offering "farm fresh petrol". And that is all apart from a sea of grey brown tents looking like a poor man's Persepolis which provide temporary accommodation for the 18,000 Tswanas attending the five-day independence celebrations.

The whole event was reminiscent of Evelyn Waugh's *Scroop*.



## S African church 'persecuted'

Johannesburg, Dec 5.—The Anglican Bishop of Johannesburg, Dr. Timothy Bavin, today accused the South African Government of persecuting the Church.

The Bishop made the accusation in a statement on the arrest last week of two Anglican priests, the Rev. Geoffrey May and the Rev. Rev. Stephen Monteith.

The arrests followed the announcement on Friday of an inquest verdict clearing the South African security police of blame for the death in prison of Steve Biko, the black activist.

In his statement, the Bishop referred to the Government's landslide victory in the general election on November 30. He said: "It is hard not to react with anger, hatred, bitterness and despair when the first action of a newly-elected government is to persecute the Church of God."

But the Christian may not give into these feelings and his prayer or concern will be not only for those who are being persecuted together with their families, but also for the souls of those who wield power without respect for God and regard for common human decency."—Reuter.

## Shah begins a state visit to Oman

Muscat, Dec 5.—The Shah of Iran arrived here today on his first visit to Oman.

The Shah, who sent troops to help Oman suppress a left-wing rebellion in southern Dhofar province, was greeted by Sultan Qaboos bin Said at the start of a four-day state visit. Omani officials said formal talks between the two leaders were not likely to be held until Wednesday. Tomorrow they will visit Salalah, capital of Dhofar province.

Although the 10-year insurgency was officially proclaimed over two years ago, Iran still maintains a fully staffed brigade headquarters in the province and could quickly send reinforcements.

With the Sultan's forces now firmly in control of the province, the Dhofer situation is not expected to figure prominently in talks between the two leaders. They are more likely to be concerned about the situation in the Horn of Africa.—Reuters.

## Murderer is beheaded

Annan, Dec 5.—A Saudi Arabian was beheaded by the sword in the main square of Jiddah today after being convicted of killing six people, Riyadh radio reported.

Hassan Muhammad al-Hassani shot six people dead last Friday, including his mother, and wounded five neighbours, the radio said.—Reuter.

A presidential salute fired by South African field guns earlier in the day caused cows grazing in the fields around the parliamentary buildings to bolt in panic. The Tswana official in charge of the press seemed to take delight in telling journalists that they would not be allowed to attend most of the independence functions and refused to name names of invited guests for "security reasons".

The programme of the independence celebrations was almost exactly the same as was followed in Transkei. During the day there was a football match in the stadium followed by traditional dances and a gymnasium display.

Shortly before midnight, Chief Mangaope and Dr. Diederichs, the South African President, arrived for the formal transfer of power. The South African tricolour was lowered and replaced by the Bophuthatswana flag—a red diagonal stripe on a blue ground with a leopard's head in the top corner. Members of the new Bophuthatswana national guard and the South African presidential guard presented arms, national anthems were played, guns boomed and an independence flame was kindled.

In his address, Chief Mangaope was strongly critical of South Africa's race policies and described the fragmentation of Bophuthatswana into seven separate pieces as a "territorial credibility gap". Independence, he said, meant that "we are no longer helpless at the mercy of the arbit-

rary arrogance of those who, until this hour, trampled our human dignity into the dust". However, he urged Tswanas "not to inflict on whites what we have been blaming them for inflicting on us".

On the issue of Bophuthatswana's fragmented land area, he said that "wicked non-consolidation has dealt a cruel and deadly blow to our independence. Just as it is born, our independence has already fallen into a fatal credibility gap—the territorial credibility gap, which bears the stamp 'Made in Pretoria'."

Chief Mangaope also attacked the South African education system, called for correct relations with "our former colonial master" and suggested that Bophuthatswana's independence could be a stepping stone to a federation embracing all of South Africa.

Among those present to hear Chief Mangaope's speech were Chief Kaiser Matzima, the Bophuthatswana Prime Minister, and the chief ministers of the Ciskei and Venda homelands. Chief Lennox Sebe and Chief Patrick Mphaphu Ciskei and Venda are expected to be the next homelands to become independent.

Like Transkei, the world regards Bophuthatswana as a "child of apartheid" and for that reason it is unlikely to receive any form of international recognition for years to come.

For a start, it has no seaboard of its own. Its seven pieces are entirely surrounded by South Africa except for one area which borders Botswana. All its trade and communications have to pass through the white republic.

At present over half the population lives permanently outside Bophuthatswana's borders and few have shown much interest in settling there.

On the question of citizenship, Chief Mangaope seems to have negotiated a slightly better deal than did Chief Matzima in Transkei although the matter is still somewhat ambiguous.

Tswana citizens will retain residential and business rights in urban areas in South Africa, but, as happened to the Xhosaspeakers when Transkei became independent, the Tswanas will find themselves automatically deprived of their South African citizenship and becoming Bophuthatswana citizens instead, whether they wish to or not.



Men of the Royal Regiment of Fusiliers sort out their kit after arriving in Bermuda.

## Troops arrive in Bermuda with their own philosophy

## A soldier finds himself far flung in the remnants of the Empire

From Michael Leapman  
Hamilton, Bermuda, Dec 5

No matter how many obituaries are written on Britain's imperial role, there are bits of it that refuse to go away.

For Commander David Aldrich, a naval officer who is the senior British serviceman in Bermuda, it was also a rare weekend stint. Usually, with only 10 men under his command, he can count on untroubled duty hours.

Whether it is Aden, Northern Ireland, Cyprus, Anguilla or, as in this case, Bermuda, the chap brings with them a refreshingly simple philosophy, articulated yesterday by Major John Varley of The Royal Regiment of Wales, soon after he and his men stepped from their aircraft. He said he had heard the plotters and arsonists in Bermuda were rather young.

A little more show of a disciplined body of men will be rather like having their parents start to discipline them, he declared.

Major Varley's 80 men, many themselves still in their teens, were the first to arrive last night. They had come from Belize where, for the moment, there is a slow season for peace-keeping. The other 180 men, from The Royal Regiment of Fusiliers, came in two aircraft from RAF Brize Norton, Oxfordshire, a few hours later.

It was a deeply impressive arrival, even if the sense of colonial grandeur was diminished by British troops having to fly into an American naval air base, the only suitable military facility on the island. The chubby and cheerful

Major Varley, with his lean, spare appearance, his clipped accent and many moustaches, might be suspected that he was chosen for this mission as much for his bearing as for his unbroken military skills.

Although not fully briefed

Leading article, page 15

## MPs may vote on colonial death penalty

By Hugh Noyes  
Parliamentary Correspondent  
Westminster

In the aftermath of the executions in Bermuda last week the House of Commons may be given the opportunity to decide whether colonial territories should still retain the death penalty when capital punishment has been abolished in Britain.

Dr Owen, the Foreign and Commonwealth Secretary, indicated this to MPs yesterday when he replied to strong Labour backbench criticism of the failure to reprise the two Bermudians executed in the island on Friday.

Dr Owen agreed that the present position left the British Government in a serious dilemma.

Mr Willie Musarurwa, the Nkomo faction secretary, reiterated Mr Nkomo's determination to take Rhodesia by force.

Salisbury, Dec 5.—A black policeman who ran amuck in a black township of Bulawayo last night shot 13 people dead and wounded 16 others before being killed by his colleagues, a police spokesman said today.

One Defence Correspondent writes: Important changes in Rhodesian policy towards Africans will be required by the Rev Ndebadzingi Sithole, the Rhodesian nationalist leader, as a test of the sincerity of Mr Smith, the Prime Minister, in proposing adult suffrage.

On Saturday he and his wife were pelted with eggs and hit with placards in Sydney.—AP.

ma and that this might have to be considered by the House. There were other colonial territories besides Bermuda which might not reach independence for many years.

Dr Owen added that he was a convinced abolitionist but that, in going so far himself, there was no guarantee of justice if he had no alternative but to advise the Queen not to intervene in the executions last week.

He felt that the best way out of the dilemma would be for the dependent territories to reflect again on the decision taken in the Commons and to ask themselves whether they should not voluntarily change their legislation to bring it into line with the legislation in this country.

## Stones thrown at Frasers in election tour

Melbourne, Dec 5.—Mr Fraser, the Australian Prime Minister, and his wife, were pelted with stones during an election rally here tonight.

Mr Fraser was also hit by a big placard protesting against sales of uranium as he walked from the rally. It was the second time in three days that Mr Fraser had encountered violence in his election campaign.

On Saturday he and his wife were pelted with eggs and hit with placards in Sydney.—AP.

This criticism was carried by the official Tanzania news agency and referred to the Foreign Secretary's comment that the raid "might show the Patriotic Front, and this may have some advantages getting overall compromise".

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ment and with a nominated editor in the place of Mr Ibrahim Jalis, a well-known Urdu journalist who died of a stroke shortly after the paper's closure.

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## West Bank mayors criticize Mr Sadat

From Edward Mortimer  
Ramallah, Dec 5

A memorandum criticizing President Sadat's visit to Israel and expressing full support for the Palestine Liberation Organization (PLO) has been distributed to all foreign consulates in Jerusalem in the past few days. It is signed by 18 mayors and two deputy mayors of towns in the occupied West Bank and some dozens of "notables" and associations.

Mr Khalaf claims that

pressure on the Americans and Israelis to show that the visit was a success, "If Sadat can succeed, all of us will be with him".

In that at least, almost everyone on the West Bank would agree.

While Mr Khalaf claims that

98 per cent of the popula-

tion support President Sadat,

Mr Khalaf's claim is certainly exaggerated. The PLO's popularity has declined from the peak it reached a year or two ago, partly because it has failed to achieve any concrete results and partly because its leadership seems unable to decide on a clear political line.

People criticize, for instance, the tact that Mr Yasser Arafat, the PLO leader, at first appeared to support President Sadat's initiative but later condemned it.

The great and unanimous de-

sire on the West Bank is to be rid of the Israeli occupation.

All the mayors and substitutes

want to see Mr Sadat succeed

in achieving the kind of peace

he described in his speech to the Knesset, with full Israeli withdrawal from all the occupied territories, including Jeru-

alem, and recognition of the

Palestinians' right to an inde-

pendent state.

Mr Khalaf, mayor of

Ramallah and one of the main

organizers of the memorandum,

told me today that he would

not go to Geneva

to meet the PLO asked him to.

"I am not the representative

of the PLO. The PLO is out

of my representative," he said.

Mr Khalaf also accused

President Sadat of "playing a game with the United States

against the PLO by creating a

new leadership to replace it.

But some other signatories of

the memorandum take a more

cautious view.

For instance, Mr Fahad Qawasmeh

added that Syria and the PLO

should "refuse" the visit, but

## OVERSEAS

## Malaysians hunt clues to identities of death crash hijackers

Kuala Lumpur, Dec 5.—An official inquiry started today into last night's crash of a hijacked Malaysian airliner in Worthington, and was on a business trip. He leaves a wife and five children.

The identity of the hijackers is still unknown. Sources here said last night the pilot had told the control tower that he had been hijacked by the Japanese Red Army and that he had been ordered to fly to Singapore. Today, however, Dauk Sufian Sujak, deputy chairman of the Malaysian Airlines System, told a news conference: "All the pilot said was that he was being hijacked. By whom, or how many people were involved, we do not know."

A Japanese news agency, quoting an official of the Japanese Embassy in Kuala Lumpur, said reports of Red Army involvement in the hijacking apparently arose because four Japanese tourists boarded the airliner mistakenly at Penang. They realized their mistake and got off before it landed in Singapore.

Airline officials confirmed that the aircraft exploded in the air before crashing on the shoreline of the southern Malaysian state of Johore. Of the 93 passengers, 73 are believed to be Malaysian citizens.

The British High Commission in Kuala Lumpur said at least five Britons were among those on board. One of them was Mr Thomas

## Tory leader's tribute to Yugoslav war record

From Dessa Treviran

Brighton, Dec 5.—An

Parr, of Lyminster, near Arundel, Sussex, who worked for Euro Medical Industries, in Worthington, and was on a business trip. He leaves a wife and five children.

An informed source said there could be as many as 10 Australians among the dead.

Two officials of the World Bank were known to be among the victims, Herr O. D. Hoerr of West Germany and Mr S. S. Naime, an American. They were members of a team holding discussions with Malaysian Education Ministry officials on assistance from the bank.

Among others confirmed as dead were Datuk Ali bin Hajji Ahmad, the Malaysian Agriculture Minister, and Senior Mario Garcia Inchaustegui, the Cuban Ambassador to Malaysia. Tan Sri Manickavasagam, the Malaysian Communications Minister, told reporters that Captain G. K. Gaajour, the airliner's pilot, radioed that he was being hijacked and was overflying Kuala Lumpur. Its original route would have taken it from Penang to Kuala Lumpur and on to Singapore.

The aircraft later sent a distress signal to Singapore control tower. There was no further contact before it crashed.

Tonight officials were still searching for the aircraft's flight recorder which might throw some light on its last minutes. —Reuter and Agence France-Presse.

## Kenya-Tanzania meeting on reopening border

From Our Correspondent Nairobi, Dec 5

A team of senior officials from Kenya and Tanzania met in Nairobi today to draw up guidelines which it is hoped will lead to an early reopening of the border between the two countries.

The border was closed by Tanzania last February, after Tanzania had accused Kenya of bringing about the financial collapse of East African Airways and undermining the East African Community (which collapsed in July).

## Pygmy women in salute to new emperor

Bangui, Dec 5.—Emperor Bokassa took the salute at a two-and-a-half-hour parade of the Central African Empire's forces and civilians here today. An estimated 100,000 people took part.

It was his first public engagement after his coronation yesterday. He wore a French marshal's uniform.

After listening to the speeches at the conference, Mrs Thatcher avoided reporters. Asked by a group of journalists about her views on the Belgrade conference, she replied that she would not speak to the press.

**Startling rise in crime on the streets of Bucharest keeps citizens behind locked doors at night**

## Amnesty for criminals misfires

From David A. Andelman

Bucharest, Dec 5

Two separate amnesties in the last six months the Romanian Government has released about 30,000 young criminals and a handful of political prisoners.

The result has been startling: the people of Bucharest, who once feared mainly the police, are now concerned about criminals.

The amnesties, first proposed last May, were a gamble on the part of the Government, which was concerned that the country might not have the manpower to fulfil its goals for industrial transformation in the next 10 years.

President Ceausescu also appeared to believe that his country had reached a new stage of socialist development—a breakthrough in the traditional East European way of doing things—and that prisons could and should be done away with and instead be used to play their role in the building of the new socialist state.

The President therefore ordered the release of the 30,000 prisoners, who had been sentenced to terms of five years or less. They were trained and offered jobs in factories, on

construction sites and a range of state enterprises.

Thousands have returned to work. Many are understood to have been placed on new, formalized apprenticeship crews repairing the extensive damage caused by the earthquake that struck Bucharest earlier this year. Others have been included in vocational training programmes for work in factories.

But thousands of other young prisoners have, in the words of the official party press, failed in their social responsibilities, appearing for a 6 am shift at 10 o'clock, drinking late into the night, and, in many cases, returning to the type of crime that had led them to prison in the first place.

Newspapers also reported other instances of men found staggering in Bucharest streets with bladed and bleeding their wallets stolen; and there were accounts of attacks on supermarkets.

These newspaper accounts, lurid by East European standards, only fuelled the traditionally lively Bucharest rumour mill. By early last month, wild accounts were spreading of gang rapes in quiet parks on the capital's fringes and squads of militiamen

assaulted, stripped naked, tied up and beaten.

These rumours changed the lives of many people. No longer did crowds of young people stroll arm-in-arm by the moonlit Lake Herastrau, in Bucharest's equivalent of Hyde Park.

Supermarkets that close at 8 pm were finding their aisles empty after dark. Old men and middle-aged women who never before had locked their doors were bolting them in broad daylight.

The growing public concern led President Ceausescu, in a speech on November 12 before the Bucharest municipal party organization, to warn the released youths and their families that whatever period of grace they might have had was finished.

The police began to round up youths shortly thereafter. No figures have yet been released on arrests, but with both the President and a substantial body of public opinion behind them, the police are understood to have been moving decisively.

Romania is a country where law and order have suddenly become highly prized—New York Times News Service.

## Rights plea by 51 Bolivian organizations

La Paz, Dec 5.—Fifty-one Bolivian organizations today asked the Government to grant a full amnesty to all political prisoners and exiles and to restore all democratic rights.

In a letter to the Government, the various religious, civic, cultural, professional, student, labour and political organizations demanded full respect for human rights as a necessary step in the current restoration of constitutional government.

The letter demanded immediate release of all people being held in prison for political or trade union activities. It also urged the Government to issue a decree authorizing the return of the many political and trade union leaders, as well as workers, students and peasants, now exiled abroad.

## Man facing firing squad challenges tribunal

Manila, Dec 5.—A Filipino opposition leader, ex-Senator Benigno Aquino, today challenged a military tribunal to examine its conscience and decide if it could really give him a fair trial after having already sentenced him to death by firing squad.

Mr Aquino and two other defendants were convicted 10 days ago on charges of murder and subversion.

Mr Aquino and a civilian lawyer for one of the other defendants issued separate challenges to each of the seven members of the tribunal at the opening of a new hearing. The former senator has accused President Marcos of being involved in a plot in ordering the reopening of a trial after judgment had already been given.

## Swapo leaders freed after protest

From Eric Mursden

Johannesburg, Dec 5

Mr Daniel Tjongarero, vice-chairman of the South-West African People's Organization (Swapo) and nine of the 10 people arrested with him in the Owambo area on Friday were released today. The man still held, who has not been named, is described as a less-er official of Swapo. It has not yet been decided whether he is to be charged.

Those freed, who include six members of the Swapo national executive and a woman secretary, were reported to be still in northern Namibia (South-West Africa). They were arrested while attending a symposium in Owambo.

under the new security legislation proclaimed recently by Mr Justice M. T. Steyn, the Administrator-General, which bars entry to certain parts of armed terrorists. He said that the exact reasons for the arrests were sub-judice as police investigations were continuing and there might be charges brought against some people.

The arrests caused concern to diplomats of five Western nations who had spent Friday and Saturday holding further talks on the future of Namibia with South African Government leaders. The Western negotiators were reported to be upset by the news yesterday.

Diplomates may not be held for longer than four days

learnt this lesson, but many parents are still prepared to hand over infants to a succession of transient helps, while others are forced by economic circumstances to put their children into day-care with childminders who can give no individual attention. At all levels of society the care of their own small children is still seen by some parents as an inferior, second-best occupation. More recently, however, this attitude has been reinforced by the case argued by activist women's groups for their liberation from the "tyranny" of housework and motherhood.

By insisting that every woman has a right to a career they have made those who preferred to stay at home feel that they are doing wrong. Psychologist

## Social Focus

## What it is like to be poor today

The various consultants called in by the Government in 1972 to undertake the "six towns studies" to help local authorities improve the environment in urban areas have produced many weighty reports that have tended to drop like stones into the wider of unred and unheeded documents emanating from government departments each week. One of the latest deserves a wider audience than the local authority officials, civil servants and interested lobbies that usually are the only people to take note.

It is one of the three inner area studies undertaken by consultants and it is based on Small Heath, once an area of high employment in Birmingham, now depressed by higher than average unemployment, striking changes in population structure and development programmes that have left whole areas of housing blighted and their inhabitants demoralized.

What is different about the report is that it does not simply offer the usual conclusions by way of dry, academic research although it concludes finally that the people of the area need any higher incomes and decent housing. It reaches that conclusion through interviews with 136 of the poorest households in Small Heath, the largest survey of poor people ever undertaken in Britain.

One of the women interviewed was unusually articulate, that the entire transcript of the interview is included as an appendix to the report. Because it throws clear light on the feelings of the poorly housed and financially straitened people in Britain now, we publish below an edited version of the interview. In contrast to the woman's own description of her present conditions, the interviewer records that the house was well decorated and well furnished, modern and bright and the children well behaved: the baby of 11 months sitting on the sofa eating stew and feeding herself.

The interview began with the woman's description of why she moved away from another part of Birmingham, where she was surrounded by older neighbours who objected to her children. The interviewer then asked why she had chosen Small Heath.

Mrs Barnes: This was a nicer area when I came, and I had lovely neighbours—very good to me. If one of the babies was ill and I couldn't get to the shop, they'd think nothing of knocking on the door. "Can I bring you some groceries down or teach your dinner in?", you know. I was much happier then. It's just now the area has gone so bad.

Interviewer: In what way has it gone down?

Mrs Barnes: Well, all the problem families were moved in. I have nothing against this—I know what it's like having problems myself. I know a lot of the kids have got to be a time when you say "No, you can't do that". I wouldn't let them jump over my furniture. But the families that moved in, if they saw a flower, it was trampled. That, and then they started moving the old neighbours out that were here when I came here and let's face it, it's the old ones that keep the standards in the road.

Interviewer: Why do you think the old people keep the standards up?

Mrs Barnes: They do, because in their day there was none of these fancy cloths and glass topped tables—it was a scrubbed clean table—so while you could chop up on it and they didn't believe in carpets down, they liked scrub. And you find old people, no matter how difficult, they'll still try and clean outside their windows and you find they wouldn't dream of putting that red stuff on the step, they would rather get down and scrub it.

Interviewer: Are things getting better or worse?

Mrs Barnes: Oh, it's terrible. All these derelict houses empty round us. The

house opposite has a brick thrown through the bay window, which had completely smashed the whole window. Mrs Barnes went on to say that she had been offered another home six months previously but "it had just been destroyed" and it was too far from shops or transport for her to manage with seven children.

At that point in the interview, there was a sound of breaking glass and the house opposite had a brick thrown through the bay window, which had completely smashed the whole window. Mrs Barnes went on to say that she had been offered another home six months previously but "it had just been destroyed" and it was too far from shops or transport for her to manage with seven children.

Interviewer: Did you ever give your reasons when you refused it?

Mrs Barnes: I just told them I would be very unhappy there—I know I would before I went. Well, you know, this is the truth, when we come into this house it had got Boer War paint on it, and the old fashioned paper you've ever seen, and I was in my element, could hardly wait

for paper and brushes! I loved it. I was in a pair of jeans for a week. I couldn't wait to get the kids to school to have another little go—it was great—you could see what you had done... Now, it's a misery, but I think I am trying to hang on to the happiness—out of 13 years of marriage, when the four years here before it got bad was the best four years I've ever had.

Interviewer: Tell me, what sort of work does your husband do?

Mrs Barnes: He's unemployed at the moment.

Interviewer: Oh dear, has he been out of work long?

Mrs Barnes: He was working for himself and he has been off 12 months now—a long time.

Interviewer: Did you find it made a big difference to you?

Mrs Barnes: Well, I'm used to managing with money. I've always had to manage with money. I've got a good husband; I've got something that maybe other people don't. I don't just get "poor" money with my husband's out of work and everything's down. Because my husband's out of work he's not a man to take anything off us. He gives us; he will go without his things more than my babies. Since the time he has been out they've never gone short of shoes—school uniforms, clothes, nothing, though there are seven of them. They still go to school as any other child would. I've always sent them to school decent.

Interviewer: Has he had any jobs offered in that period?

Mrs Barnes: No. He has been after jobs, my father was trying to get him in with him in the Parks Department. I know it's not a very high graded job—but it's a job. As Andy said, he would shovel anything in the road if it was work and brought in money for the kids. I'd even go out to work myself if Andy was at work. I'd take evening part-time work to bring us back up to standard, you know, but it's not so easy. It's terrible.

Interviewer: Have you found it's made any difference to your family life?

Mrs Barnes: Well, me and Andy have the worry, but the kids never know about it. We know the pennies are tight but our babies—well, for instance, to give you an example. We was on the bus not long ago, and one of the babies shouted down the bus—"I was so embarrassed!" I'd say "Well, I was so embarrassed!" And as I looked there was one running around and he said "My God, it's very quick". He put poison down and that, but you can't clear anything like that so quick. We're overrun with mice. Mice in this house are running just wild. I fetched the environment officer in again because I have to think of my baby—she's not one year yet, and I told him that a mouse had been in her cot—and this is true—and the words of the man was "Well, I'll put some poison down, but I don't think you will ever clean up because we've got a waste of water". So we've got to clear the mice in this house, we've got to clear a whole rug of houses." So it's a waste of time. We've got no hot water, we've got no bath for the children. On a Sunday we get no water, not cold water either. So we contacted the Water Department and explained that I meant water with water, with seven children. They got to have water, even if it's only cold. I've got to have water. And he said the ground had sunk underneath that much that it would cost that much to repair the damage that we've just got to manage with what we could. So I fill my washing machine up now on Saturday so that I've got water for a Sunday.

At that point in the interview, there was a sound of breaking glass and the house opposite had a brick thrown through the bay window, which had completely smashed the whole window. Mrs Barnes went on to say that she had been offered another home six months previously but "it had just been destroyed" and it was too far from shops or transport for her to manage with seven children.

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to start my day.

Interviewer: Pat Healy

Social Services Correspondent

## CINEMAS

ACADEMY ONE, 437 SW. 1. JAMES BOND: THE SPY WHO LOVED ME. PROG. 10.30. 12.30. 1.45. 3.15. 5.15. 7.15. 9.15. 11.15. 1.30. 3.30. 5.30. 7.30. 9.30. 11.30. 1.45. 3.45. 5.45. 7.45. 9.45. 11.45. 1.00. 3.00. 5.00. 7.00. 9.00. 11.00. 1.15. 3.15. 5.15. 7.15. 9.15. 11.15. 1.30. 3.30. 5.30. 7.30. 9.30. 11.30. 1.45. 3.45. 5.45. 7.45. 9.45. 11.45. 1.00. 3.00. 5.00. 7.00. 9.00. 11.00. 1.15. 3.15. 5.15



## SPORT

Football

## England manager will pick his own helpers, FA secretary says

By Norman Fox  
Football Correspondent

Another week of speculation over the name of the England manager has been inflicted on the bemused public. All of the likely candidates have been seen by the Football Association committee, but it will not be until next Monday at noon that a decision will be officially announced. "Informed sources" will have a field week.

Three more candidates were interviewed yesterday morning. Brian Clough was there with Peter Taylor, but he made it clear to everyone that "wherever I go," Peter goes. Lawrie McMenemy, the former guardsman, said his interview was all very correct; and Ron Greenwood, after nodding away, said that unlike the others he already had an office in the building.

Hints were deep rather than broad. Ted Croker, the FA's secretaries, who had been variably dissected by Professor Sir Harold Thompson and his colleagues, said it would be a team job, very different kind of team from the national level. There are a group of jobs and there will be a close liaison between the teaching side and the international side. The system will cer-

tainly be different than it has before."

He said the interviews were finished. "We have interviewed around half a dozen and these have taken place over the past month or so. The committee wanted to know who the man next Monday. Because of the importance of the job the committee wanted time to make up their minds. They have not considered anything at this stage but every possibility has been discussed and it will be up to the committee to decide who will get the job to decide who will work with him."

Presumably none of the candidates would welcome being classed as "assistant" to the new overall manager so the terms and titles are important. As Mr McMenemy said: "I am prepared to work with anyone in the good of the country." He was given the responsibility and not just the task of carrying the balls in many.

He said that in his interview, which lasted an hour, he was asked very seriously if he could be an English football and what needs to be done to get it right. He said he was prepared to act in a number of capacities. "The committees are responsible people and experienced people but they will never be right. No matter who they pick someone will be given overall charge of future development and a colleague of his choice will be named as team manager.

Mr Clough said: "We discussed

a lot of things appertaining to football. There were no conditions laid down, but I wouldn't be here if I didn't fancy the job. I've always wanted the England job or to be associated with it. I didn't get as far as this last time. Mr. MacCormick, who was in England, Nottingham Forest, or Macclesfield, where I started, is the same thing. It is down to management and I think I have had success. I would hope to do the same for England, I feel the FA should have the best manager but don't ask me who it is. It is up to the FA to decide who will work with him."

He added: "We discussed English football and what needs to be done to get it right." He said he was prepared to act in a number of capacities. "The committees are responsible people and experienced people but they will never be right. No matter who they pick someone will be given overall charge of future development and a colleague of his choice will be named as team manager.

### Bristol City's first trophy for 40 years

**Bristol C 1** St Mirren 1  
Bristol City won their first football cup in more than 40 years when they held St Mirren to a 1-1 draw at Ashton Gate last night. In the 89th minute, Kevin Mabbett, in his 19th birthday brought them the Anglo-Scottish Cup on a 3-2 aggregate.

A crowd of 16,100 saw Reid, a defender, pull back a goal for St Mirren with only 10 minutes left, following a corner in the 61st minute. Mabbett's equalizer came three minutes later, also from a corner, as he headed in Clive Whitehead's cross. Although it was a clean sheet, the two British clubs ended with three bookings: Beckett, Copland and Stark.

**Tisbury 2** Rothering 2  
Tisbury and Rothering were determined to replay their first-round FA Cup tie, but Kettering, fielded an ineligible player, and they meet for a third time on Wednesday.

Tisbury came agonizingly close to turning the replay into a 1-1 draw, second time, with a visit to Kettering. After a spectacular 12th minute goal from Zellock had put Tisbury ahead, Tisbury hit back with two goals from Smith. Phillips earned Kettering a replay in the 74th minute.

**Bournmouth 1** Colchester 4  
A fine treble by Colin Garwood enabled Colchester to sink Luton, 4-1, and lead in the FA Cup first-round second replay at Watford. Colchester's prize is a return to Watford, the fourth division leaders, in the next round.

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**Cricket**

### Botham gets life out of dead pitch

From John Woodcock  
Cricket Correspondent

**Falsalabid, Dec. 5.** Ian Botham of Somerset gave a stout-hearted display of mental fortitude and physical satisfaction for England's cricketers after a hard day's toil in the sun here today. On a pitch that gave bowlers no encouragement, and in response, England led in the FA Cup first-round second replay at Watford. Colchester's prize is a return to Watford, the fourth division leaders, in the next round.

**Botham worked willingly despite the lack of respect from the pitch.** At 8.30 a.m. he managed to make the ball lift horribly. Down town, the young Kent wicketkeeper, playing only his eighth first-class match, took the old ball shoulder high and, as though to dismiss the experienced Sadig Mohammad on two or three occasions.

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### Jago accepts US offer but Campbell decides to stay

**Gordon Jago** suddenly decided yesterday that the life style and money in the United States were better than the England side and the job of head coach at Tampa Bay Rowdies. Mr Jago was released by Millwall after a stay of just over three years as manager and plans to leave Britain for the sunnier climes in America.

The 44-year-old former captain of the Anglia-Scottish Cup on a three-year contract with the FA's secretaries, said: "I am told that it will be a three-year appointment.

Another London manager, Bobby Campbell of Fulham, has rejected a reported offer of over £20,000 to manage Philadelphia's Fulham.

But the Midlands have left out Dodge, a young centre who arguably is the best passer and reader of a game in the English midfield, as well as both the Leicester flankers, Kemp and

Slater, who won four caps on the left wing last season, and two before that, had been omitted from the North XV in favour of the young England player, Carleton. Old and Young players in the inter-regional game, so there is something to play for.

Mr Jago, who has been offered a new deal by the FA, stressed: "The meeting in Rome was part of discussions which have been going on for some time and are now

means finalized."

The whole board agreed to Mr Jago's request, the Millwall directors indicated their annoyance in a statement, which said: "Whilst recognizing and understanding the financial and other attractions of the opportunity which has been made available to Mr Jago, the directors are nevertheless deeply disappointed to learn that he has accepted an offer from outside, notwithstanding his contract which he entered into at his own request, particularly at a time when the club is confronted with many problems."

Another source, the assistant manager, will take charge of the team until a new appointment is made.

He faces a difficult time because Millwall have won only two league matches this season and their gates have dropped below 6,000.

**Today's fixtures**

**EUROPEAN SUPER CUP:** Second leg: Liverpool v Hamburg.

**THIRD DIVISION:** Shrewsbury Town v Cillingham.

**SOUTHERN LEAGUE:** First division: Southend v Milton Keynes v Bedfordshire v Folkestone and Bury.

**NORTHERN PREMIER LEAGUE:** Cup: Second round replay: Matlock v Morecambe; Runcorn v Frickley.

**ISTHMIAN LEAGUE:** Premier division: Farnham v Leamington v Chelmsford.

**RUGBY UNION:** Oxford v Cambridge 1st Twickenham, 3.35 p.m.

**RUGBY LEAGUE:** Floodlit competition: semi-final round: St Helens v Salford (7.35).

**Cricket**

### Soul-destroying life in the 'circus'

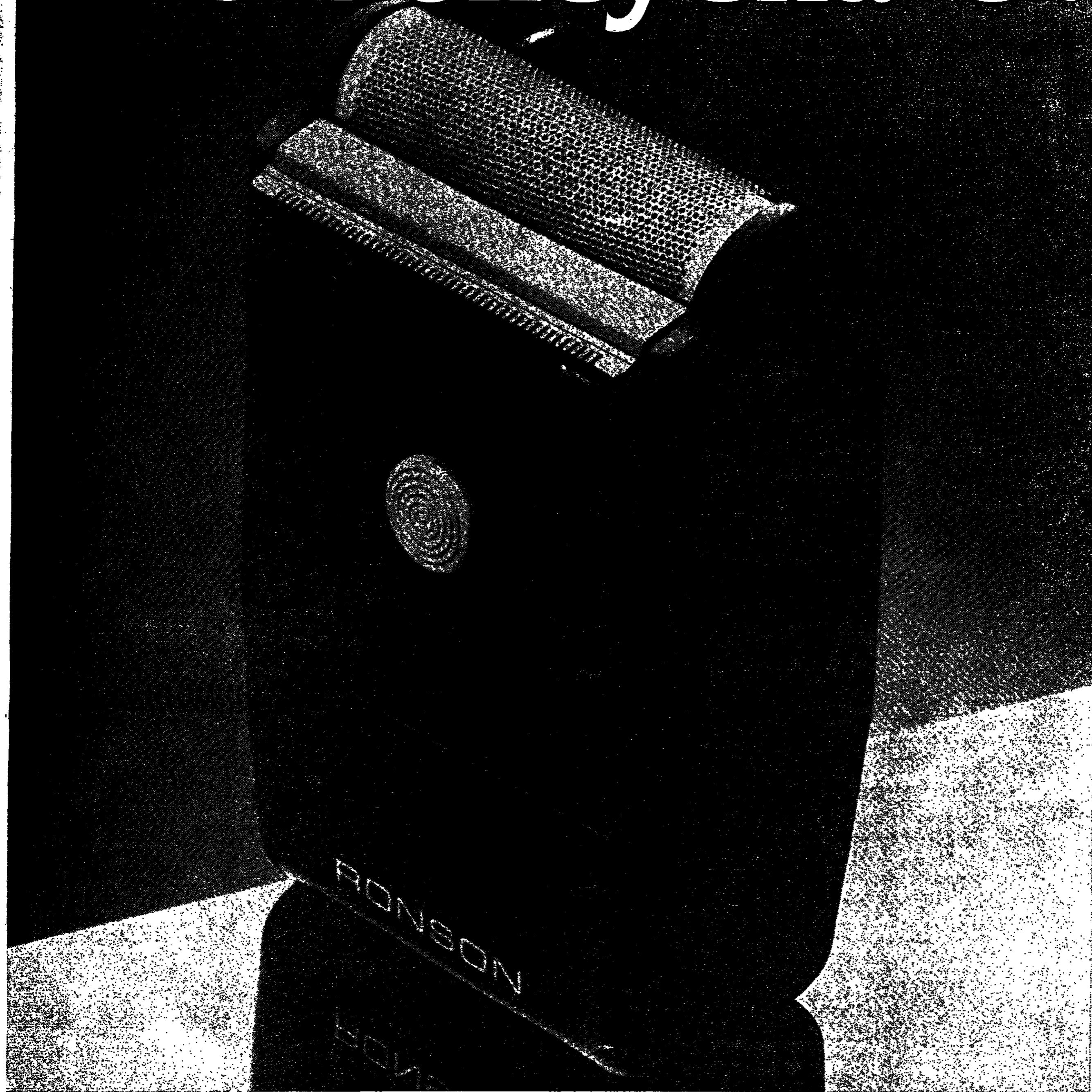
From John Woodcock  
Cricket Correspondent

**Melbourne** While the first of Kerry Packer's international matches was being played here over the weekend another 22 of his bowmen were up in Rockhampton, a Queensland seaside town, playing in a three-day game. Being 250 miles north of Brisbane, which is about the size of Melbourne, which has eight first-class cricket clubs, it is enough that in the first of Kerry Packer's international matches was being played here over the weekend another 22 of his bowmen were up in Rockhampton, a Queensland seaside town, playing in a three-day game. Being 250 miles north of Brisbane, which is about the size of Melbourne, which has eight first-class cricket clubs, it is enough that in the first of Kerry Packer's international matches was being played here over the weekend another 22 of his bowmen were up in Rockhampton, a Queensland seaside town, playing in a three-day game. 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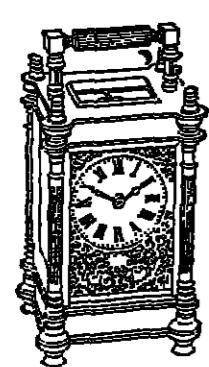
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Bernard Levin

# Shame: why did Cheekykaffir have to die and spoil the fun?

I reported here a couple of months ago on the case of John Cheeky-kaffir, the South African black leader who was just about to be prosecuted for damaging several valuable police truncheons (by striking them repeatedly with various tender parts of his body) when he died, much to the regret of the policemen wielding the truncheons who, in the words of the Minister of Justice, Mr Sjambok-Goering, "Hadn't had so much fun since they built down the Koffie-tuin synagogue".

At the time I wrote, my readers may recall, the inquest had not yet been held, and Mr Sjambok-Goering's disclosure of its findings, to the effect that Cheekykaffir had committed suicide while the balance of his mind, and indeed of his skull, kidneys and genitals, was disintegrated, as he was careful to point out, only provisional. "When", he said, "the inquest is finally held—and the Prime Minister (Mr Van der Scouw) and I are working assiduously to find some means of settling it altogether—full details will be made available, including a much-needed finding that the two policemen who killed him should be compensated by the surviving members of his family (we're working on the problem of their survival, of course) for the distress caused them by Cheekykaffirs selflessly dying just when they'd found a lovely new way of poking his eyes out".

The inquest was, as readers will know, concluded last week, and the magistrate, a Mr Mosley Bum-Hack, recorded his findings thus:

I'm very glad about the wonderful election result here. Many of us South Africans are getting pretty sick of criticism from the rest of the world. I tell you, man, why don't they mind their own business, eh? I mean, they're always complaining about how we don't treat the blacks so good here. Now you and I know that if I sent a couple of big policemen out into the street right now to ask a passing black man how he liked it here, they would come back five minutes later and report that he had said he liked it fine. Anyway, the bastards breed like rabbits. And another thing, man. How would you like one of them marrying your daughter, eh? And don't tell me that's not what they are after—know better. Don't give me that Christianity stuff, either—what was the Pope's name before he changed it to Montini, eh? Mendelsohn, that's what—you can always tell by the frizzed hair. Case dismissed.

Mr Sjambok-Goering, the Minister of Justice, said after the verdict that he was very glad to have been vindicated in so striking a manner, particularly since the policeman who had actually killed Cheekykaffir had been vindicated in an even more striking manner.

"While I'm on the subject", he added, "I want to clear up a misunderstanding. It has been widely reported that when I heard of Cheekykaffir's death I said 'Leave it cold'. I would like to make it clear that I have been misrepresented over this, though I think it was the result of a genuine mis-hearing. What

sounded like 'It leaves me cold', was actually 'I am deeply, nay profoundly, distressed to hear of the death of this man in captivity. Of course, a full and searching inquiry must be carried out at once, and I shall leave no stone unturned to see that, if anything improper occurred, those responsible will be brought to book. We white South Africans have our differences with our black brethren—the bastards breed like rabbits, for a start—but I would never condone any ill-treatment of them—no stop it, I'll laugh—and indeed I regard them as my own children, which is hardly surprising, since several of them are.

But what I really want to stress is that it is the duty of every decent South African to vote Nationalist in the election."

That, it was generally agreed, cleared the matter completely. At least, it was agreed among all right-thinking persons, but the depraved and revolting Donald Woods (editor of the *no less depraved and revolting Daily Dispatch*) was, naturally, not content even with so comprehensive an explanation, and went on inconveniently revealing that the Minister of Justice was a liar and an accessory after the fact, until he had to be "banned". (This, as the Minister explained, was only a temporary measure; the banning order would be lifted as soon as Mr Woods's suicide had been arranged by the police.)

Another insatiable critic was the horrible Jewish lawyer, Mr Sydney Kentridge, who appeared for the Cheekykaffir family at the inquest, even though it had been carefully

explained to him in advance that in the matter of Cheekykaffir's death no blame attached to anyone, except of course the dead man himself, his family and Donald Woods. Alas, some people are never satisfied, and Kentridge insisted on cross-examining the chief medical witness for the state, Dr George Auschwitz-Syringe.

Dr Auschwitz-Syringe, who agreed that he had been affectionately known since his student days as the Hypo-critic Oaf, said that he had been called to Cheekykaffir's cell in the middle of the night, when he found him lying on the floor in a pool of blood, with three policemen sitting on him. Examination revealed that he had a ruptured spleen, five broken ribs, a punctured ear-drum, extensive brain-damage, bullet-holes in his kneecaps and a nasty cold. Asked what treatment he had given, Dr Auschwitz-Syringe said that he had suggested plenty of orange-juice for the cold.

And what about the rest of his condition? I asked the obtuse and malignant Kentridge, "Oh", said the doctor, "I gave him a long walk to see if he could get the bugger out to see cheeky another time". Roars of applause greeted this reply, which left the loathsome Kentridge, as may be imagined, entirely nonplussed.

Matters hardly went better for him when he cross-examined the two policemen who had actually killed Cheekykaffir. He began by asking the magistrate to order the attendance, as witness, of the Minister of Justice, Mr Sjambok-Goering, and of the head of the South African security services, General Jack Bootz. The

applications were refused, as was a similar demand for the production of the local police chief, Colonel Proudly-Swastika. "These are very important and busy men", said the magistrate, "and anyway, what would be the point of calling them? All the necessary lies will be told by the doctors, the policemen and me—what more do you want?" But protested the odious Kentridge, at the very least Colonel Proudly-Swastika should be called, as there was reason to suppose that it was he who had held Cheekykaffir's arms while he was being clubbed. "Well, Good God, man", exploded the magistrate, "somebody had to hold him, surely?"

After this, the policemen themselves had little difficulty in countering Kentridge's ridiculous questions. Asked how their fingerprints came to be on the handle of the truncheons to the other end of which bits of Mr Cheekykaffir's brain were adhering, one of them replied "I've no idea". The laughter that greeted this was hardly hardy away when the other copped it by adding "Neither have I". Another question that stopped by the magistrate, who said that he had asked the witnesses just what had happened while they had Cheekykaffir in their custody, was completely irrelevant to the case. "I must remind counsel", he said, "that what we are here for is to ensure the maximum vote for the Nationalists in the election". Then he delivered his findings, as quoted above, and the case concluded. So did Cheeky-kaffir, come to think of it.

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James Reston interviews President Carter at the end of his first year in office

## Why the Carter charisma is wearing thin

Washington  
President Carter is coming down to the end of 1977 in a philosophical mood—surprised by the endless complexities of foreign and domestic affairs, disappointed by the opposition to many of his national programmes, but confident that he has established a solid foundation for substantial progress at home and abroad in 1978.

In an interview with *The New York Times* in the Oval Office, he talked about the Congress, the press, the influence of religion on history, his decline in popularity, polls, and why even his most loyal supporters seem vaguely puzzled and troubled by his leadership at the end of the year.

Looking back on 1977, he said, there was obviously a problem. "This country has been through such an ordeal in the last five or 10 years," he said, "that it is still in a healing stage. Vietnam, CIA, Watergate. It really shook the American people and their confidence in government. I don't think there will be a complete restoration of their confidence until proof is not only complete but extended over a period of time. And I am trying to do the best I can to restore that confidence."

"I think we just have to go through a long trial period in the minds of the American people before they can accept the fact that they can trust the American government again."

The President, who looked a little weary but sound, added these points:

• Foreign Affairs: He said he expected real progress in 1978.



Mr Carter: Little hostility but little enthusiasm either.

No great hostility in the country, but no great enthusiasm either. This was clearly not his favourite subject, but he replied, as if the question really did not have much to do with him personally, and also as if maybe no great hostility and no great enthusiasm might be precisely what the country needed after all the presidential hoopla of recent years.

There were a number of reasons for this lack of popular excitement and for his decline in the popularity polls, which he made clear, did not surprise him. He was new on the national scene, never having served in the federal government until he came into the White House. He did not have a congressional track record, he added, nor was he well-known to the news media figures, and had not met most world political leaders until this year.

But these, he insisted, were

not the main reasons for the doubts and confusions in the public mind. In the past, he said, the basic question in people's minds was the relationship between the United States and the Soviet Union, and a President could excite the public or please the public or have the public concerned simply because of his demonstration towards the Soviet Union—other matters were of secondary importance.

The President emphasized

two points about this: he had brought a great many more international problems to the surface—the problems of human rights, racial tensions in Africa, economic conflicts with Japan and other countries, political and philosophical struggles in the Middle East, and many neglected controversies in the western hemisphere with Canada, Mexico, Panama and Cuba.

That was his first point. His second was that while all these questions had been troubling Washington for many years before he came here, many of them had been ignored or handled in private. The difference now, he suggested, was that he had brought them all simultaneously closer to the spotlight, and had invited public debate. In his opinion, this debate on such complicated issues contributed to the public confusion, but he defended his public diplomacy while conceding that it undoubtedly reduced his popularity.

When he was asked whether the press had misjudged him in the presidential campaign, thinking that he would concentrate on domestic rather than on foreign affairs, he replied that he thought he had a fairly well-balanced commitment of his time, and after all, looking back over 1977 some very important things had been done on the national front. For example:

• A \$21,000m economic stimulus package containing substantial tax reductions, public works projects and public service areas.

• A comprehensive welfare reform programme proposal.

• A national energy plan.

• The largest farm Bill in history.

• Refinancing of a social security system that was on the verge of bankruptcy. He added: "I doubt that any Administration has done more with so many tough, complex, longstanding domestic questions in its first year."

The President has two habits that are rather unusual in Washington: first, of thinking before he speaks and second, of starting his sentences. He was asked, therefore, how he happened to talk publicly, for the first time by an American official, about a Palestinian official, about a Palestinian homeland. Was this word chosen carefully or was it just down-home talk?

The President replied: "It was used with the realization of its significance. We have used two words, entity and homeland, and I don't think those words had ever been used before by an American official. I did not say independent state, but it was time for us to express clearly to the American people the genuine issues that the Israelis and the Arab neighbours have to address. We talked about borders and security. We talked about the Palestinian question. So it was not inadvertent that we used that phrase."

Carter was very careful on questions that might involve future United States military commitments in the Middle East. No doubt at all, he said, Washington trying to change peace between the Israelis and the coexisting Arab states, but no blank-cheque guarantees.

When he was asked about the sudden lurches of events, as in President Sadat's mission to Jerusalem, and whether he believed that history was influenced by religion, he replied without an instant's hesitation:

"Yes. I went to my own church early that morning and for the first time here gave a public prayer, although that is a commandment in Plains, Georgia. And the curse of my comment to the press afterwards was that I have found that one of the common things that Begin and Sadat and I share is a deep religious conviction. They mention it frequently—so did Crown Prince Fahd when he was here. President Assad, Begin and Sadat frequently refer to it publicly. So do I."

"I think the fact that we worship the same God and are bound by basically the same moral principles is a possible source for resolution of differences. I was always convinced that if Sadat and Begin would get together, they would be bound by that common belief."

The President replied: "It was agreed by the Ministry of Defence. Still less has it been decided how to find the extra troops."

There are three reasons for

## How the Brass-hats fought their way into a retreat

In May 1975 the General Staff announced its plans for the most fundamental reorganization of the Army since the last war, or ever perhaps this century. Now, after 2½ years of trials and agonizing reappraisal, a number of soldiers are beginning to wonder if it was not too fundamental for it ever to work in practice. A number of changes have already been made to the original concept and one or two more may now be on the way.

Restructuring did not spring from a deeply felt need within the Army itself. It was largely an expedient forced upon it by the 1974-75 Defence Review, which resulted in a 15,000 loss of manpower. (A further 1,000 cut was ordered later to make up a total loss of 16,000 soldiers before April 1979.) But the General Staff tried to make a virtue out of necessity and arrived at a plan which, it claimed, improved the fighting capability of the Army anyway.

Although its overall size would remain more or less constant at around 8,000, the greatest impact would be felt in the British Army of the Rhine. Instead of three large divisions and two artillery brigades in the 1st British Corps there would be four small armoured divisions (only 8,500 in each in peacetime), a new artillery division and an infantry formation called the Sch Field Force—which would not belong to the corps but to the British Logistic Support Command, assigned to guard the rear in wartime. Specialist functions like logistics would be centralized and, more dramatically, all brigades would be abolished, saving manpower on headquarters staffs.

The number of armoured reconnaissance regiments would go up, but the number of tank regiments and artillery regiments would rise significantly and the number of guns would stay more or less the same. This sounds confusing, but it all helps to explain two of the advantages which the General Staff saw in the plan. One was a 13 per cent increase in the ratio of weapons to men, while another was a streamlining of the chain of command with quicker decision-making in time of war.

It was the second of these supposed advantages which proved illusory. A 1975 exercise involving BAOR's 2nd Division, the first to be restructured, turned out to be something of a disaster. Without brigades the span of command for a divisional headquarters was found to be too great. It was too great given the Army's existing communications systems anyway, which could not cope with the workload.

So each division was given two task forces, each commanded by a brigadier, to share the division's five battalions between them. BAOR hastily pointed out that a task force had a headquarters staff of only 70 instead of 200 in the old brigades, but critics argued that conceptually there was not very much difference and that one part of the restructuring scheme had in effect been scrapped.

Now the other advantage, the greater concentration of firepower in BAOR heavyweight regiments, is also being seriously questioned. 1st Corps, which includes some 49,000 of BAOR's 55,000 men, has simply not enough men left to do all the work. It is if a queen has been squeezed into a tiny room. According to one official assessment an extra 2,500 men will be needed to put things right—although no figure has yet been agreed by the Ministry of Defence. Still less has it been decided how to find the extra troops.

The final irony is that if and when BAOR gets the extra men that it needs, it will end up slightly larger than it was before.

This is not as absurd as it sounds, but it illustrates the difficulty of explaining to soldiers the reason why.

Henry Stanhope

Defence Correspondent

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he said, "though for some reason people seem to resent it."

Before we moved on to Bristol, the London-bound express from the West Country pulled in at the adjacent platform. From a first-class window, Angus Maude and Michael Heseltine—two of Mrs Thatcher's chief lieutenants—peered out on the crowds on platform seven. The message on the side of Mr Heath's train was two-feet high and unmistakable. The high Tory pair looked painted.

Mr Heath looked fit and suntanned, in a quiet ensemble of blues. "Yes, I feel well",

Hansard comedy of error

Last Friday's issue of *Hansard*, containing the Official Report of the late night proceedings during Wednesday's sitting of the House of Commons contained one of those priceless typographical errors which occur only rarely in this outstandingly accurate publication.

It reports Reginald Freeson, Minister for Housing and Construction, as saying: "Tonight we are concerned with a draft EEC directive on . . ." Well, they say you can't gag *Hansard* and there has been many a time when MPs have complained that some of the draft directives on harmonization emanating from the EEC Commission are little else but duff.

The directive before the House on Wednesday night concerned the mutual recognition within the Community of the qualifications of architects. It has been hanging around since 1967 and MPs now seem agreed that the latest, much-revised version is not so duff as the original thanks to painstaking negotiations over the Whitehall grapevine.

The film of Ira Levin's book about Nazi rebirth, *The Boys from Brazil*, which is now before the cameras, has suddenly acquired a triple-deck academic look. Two of its leading actors, Louis Jospin and Gregory Peck, and its director, Franklin Shaffer, have been awarded doctorates in law from the Franklin and Marshall College in Lancaster, Pennsylvania. Lord Olivier could not attend the ceremony as he was on location in Portugal. The honour was accepted for him by Stanley O'Toole, the producer of the film.

Stanley O'Toole, the producer of the film.

The Lady Vanishes—by demand

For liberated women, some good news and some bad tidings. First, the good. Camic Components, of Caerphilly, the building trade suppliers, have decided to kill off Cat Girl (on right), the fantastic lady who has spearheaded their publicity drive for their steel linels. The Lady carried an item about her in July.

Camic have received many complaints about their cartoon creation . . . "vulgar, commercial trash that devalues the joy that lies in a true relationship with women" . . . "vulgar and unpleasant exploitation of sex".

Camic's obituary for the distaff BAOR staff reads, in part: "We must acknowledge the expression 'there's a lovely bird in there' as he emerged from the Grunwick strike HQ in October. He writes: 'Anyone who knows me will know that the expression attributed to me is not one I would use.'

Le Monde  
LA STAMPA  
THE TIMES  
DIE WELT  
**Europa**

On the eve of a meeting of Community ministers on the question of monetary and economic union, David Blake explains why such a union is less an economic objective than a political paradox. M Alain Cotta, professor at the Dauphine University in Paris, separates theory from the political policies pursued and Natale Gilio recalls a fascinating incident in the negotiations which took place between Italy and the International Monetary Fund

## Latecomer that has lingered

The idea that Europe should build an economic and monetary union, with a common currency for all the EEC member states, came late to the Community but it has exerted a strange fascination ever since. Strangely because the original reason given for it, that it was necessary to prevent an unravelling of the Community's Common Agricultural Policy, has been shown to be false; over the past eight years a complex but workable system has been developed to maintain the structure of the common policy towards farmers while at the same time developing means of protecting individual countries from the direct impact of parity changes on food prices.

It is made all the stranger by the fact that all efforts which have been made in the past within the Community to proceed towards some form of monetary integration have led to disaster. The monetary union of the early 1970s has degenerated into a snake whose membership bears no relation to the list of members of the EEC.

The first, and perhaps most important, misunderstanding, comes from the perennial European obsession with the role of the dollar as a reserve currency and the feeling that this gives the United States an unfair advantage in the world monetary system.

Even supporters of monetary union admit that trade between continents or

regions may not provide a painless solution to the economic problems of states which are in payments deficit, but it does clearly often present itself as the only way of avoiding measures which would lead to a huge rise in unemployment.

Since the reasons for monetary union are so strong, the important question is why it continues to be tried, with the latest, and in some ways the most up to date, defence of the concept coming from the President of the European Commission, Mr Roy Jenkins.

Mr Jenkins's ideas, presented to a Florence audience in the Jean Monnet lecture, provide such a clear statement of the muddled thinking underlying much of the support for monetary union at the moment that they repay further study.

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Copying America, either through a desire to emulate, or through an even more intense dislike which vents itself in a desire to outstrip American achievements, has long posed problems to clear thinking within the Community. The American example on the monetary front has caused both of these problems to the EEC.

Even supporters of monetary union

do not fit in with his other view—and the view of many who argue for monetary union—that it will somehow make it easier to deal with unemployment.

Having a common currency would make it no easier and no harder for Europe as a whole to run its economy at a higher level of demand. Since Mr Jenkins, who at other times seems to believe that tight monetary policies defeat inflation, becomes convinced of the need to take an expansionary stand when he turns to the problem of unemployment there seems no clear economic logic in his stance.

Indeed, at bottom the arguments for economic and monetary union have never really been about economics. They are about the fact that tying the currencies and economies of nine governments together would be possible only if an enormous convergence had already been established and if there were a willingness to make the further sacrifice of sovereignty, which abandonment of their control over national currencies would entail.

Such a close union might well be in the interests of everyone in Europe; but it is more likely to be built by the slow and steady practice of working together in areas such as industrial policy, where the scope for gains is clear to everyone, than in the pursuit of some abstract notion of the way the world could be. No one solves problems by imagining how nice it would be if they ceased to exist.

D.B.

## Keynes is still the inspiration

It is fashionable to claim that J. M. Keynes is no longer the inspiration behind our economic policies—which, incidentally, are becoming less and less effective in dealing with the most pressing social problems of the day: unemployment and inflation.

Every fashion lives primarily by its excesses, so that one should not be surprised that this particular one is faring none too well. The fact is that our economic policies are still almost exclusively Keynesian, despite the whole Western world's shared experience over the past 30 years of exceptionally rapid growth and even despite the major upheavals inherent in the realignment of world price relativities.

As one can scarcely make the assumption that all those who make reference to Keynes have troubled to read him, it is worth recalling that the essential objective expounded through the painstaking logic and subtle nuance of his general theory is to attain full employment of labour and hence the potential growth rate determined by the working population and the state of existing physical capital.

There are many means of achieving this end and they are complementary rather than interchangeable. They take shape through the accumulated effects of easy monetary policy, preferential development of the public sector (or the non-private sector) and protectionism, or rather 'rejection' of international free trade when it is damaging to domestic growth.

In each of these three areas, scarcely any change is discernible other than a heavier emphasis on Keynesian options. And, happily, the failures seem far less obvious than some would have us believe.

It is clear that all our monetary policies have become chronically easy. For all the monetarists' frenetic activity, there is no country in the West where the growth of the money supply is not far in excess of the growth in the real national product or where the real interest rate (nominal rate less the inflation rate) has not been reduced to nil or near it. In other words, no nation has succeeded in achieving survival and growth without inflation.

Should this be construed as a failure? Although close scrutiny of monthly inflation rates has become a pastime which governments everywhere have in common and, despite the development of the intriguing game in which voters and governments conspire to perpetuate the myth that fitness to hold office is to be measured in terms of success in combating inflation, it is not regarded as evidence of failure.

Historically, for reasons closely bound up with the way our Western economies work, there has been no

growth which has not led to inflation, in the short term and in the long term. This indeed was one of Keynes's messages, stated implicitly but firmly and justified at the time in terms of the relationship between the level of investment and the rate of interest, that to say, the volume of the money supply.

Today this justification should be extended to embrace all the factors entering into economic and social life. There are no longer any social groups which do not stand to lose by a swift and heavy fall in the inflation rate. Households now feel the effect of real indebtedness at least as much as companies. Banks' fortunes are determined by the growth rate of the gross national product, whatever the inflation. As for ministers of finance, inflation enables them to balance their budgets, whereas only a few short years ago there were those who had thought that all hope of doing so would have to be abandoned.

All central banks are now faced with the kind of threat to their power which the Bank of England had to meet alone more than 40 years ago. Contemporary economic policies can not therefore be other than inflationary. Clearly this does not mean that they must be resolutely so, nor that there are not certain constraints. It is superfluous to give encouragement to such strong tendencies which are thriving so well by their own devices. On the contrary, it would perhaps be better to take steps to prevent them from pushing inflation to such levels that all illusions would be dashed.

The crucial point is that inflation in any given country cannot be isolated

from inflation elsewhere; it is imported and exported and, above all, it is relative. Although absolute inflation can reach high levels, the same is not true of relative inflation—the difference prevailing between inflation in one country and in those surrounding it. Here, as always, the constraint comes from outside.

The countries which create order around themselves are precisely those which, for a variety of reasons, have least need of inflation to achieve real growth. However, as we are seeing today, they are accused of exporting deflation simply because they settle for an inflation rate of between 4 and 5 per cent and are obliged sooner or later by friendly or less friendly persuasion to forgo a domestic success which is causing difficulties for the wider community to which they belong. Who would call being placed in this position a failure?

The growth of the public sector is Keynes's second recommendation and is more closely associated with the objective of full employment. Though it is not presented as a recommendation, it is the inevitable consequence of all manner of public interventions (investment, consumption, and so on), nor least deficit budgeting.

This is probably the field in which present policies are most systematic and uniform. Moreover, it is interesting to note the tone of measured discretion in which the most massive budget deficits have been announced recently by the governments of the reputedly most liberal countries. In 1975 the budget deficit was almost 7 per cent of gdp in West Germany and 5 per cent of gdp in the United States, and is now running at between 3 per

cent and 4 per cent of gdp in all economies. The Keynesian revolution has become a way of life—more so than could have been expected—and this is further underlined by the fact that a threat of depression could only be eliminated by massive increases in incomes created by government.

Who would claim that these policies were a failure on the ground that, despite their intensity, unemployment has not been eliminated completely, or alternatively that the recovery would otherwise have brought back growth more quickly and more fully?

It is nevertheless clear that the western world was only able in 1974-75 to avoid a crisis on the scale of that of 1929 by recourse to the only remedies which we are able to manipulate without grave error: the Keynesian palliatives. It is equally clear that the persistence of unemployment cannot be considered with the unconcern condoned by the loose use of this term which owes too much to now remote history.

Although it is desirable, and probably necessary, for the Western economies to show their ability to continue to grow with minimal unemployment, it is becoming obvious that they are able to support the present levels without social disturbances of the same kind and the same intensity as those experienced before 1939. The fundamental reason for this is that living conditions for the unemployed are no longer what they were, because of important social changes. The latter cannot have failed to increase voluntary unemployment which, like moonlighting with which it is sometimes combined, enjoys more immunity to indiscretions.

The extent of the failure of present policies is undoubtedly less than it seems and equally undoubtedly much more circumstantial than definitive, such as has been the increase over recent years in our economies' capacity to solve employment problems through the growth of the public sector. This has not been the only means used; in many cases, the desired result has been achieved through organizations which defy the simplistic contrast between the private and public sectors. Nevertheless, in all countries, with the vicissitudes of economic policies which are often presented as diametrically opposed (stop and go), the proportion of employment in the private sector has declined consistently to the point of exposing what has now become a fundamental divide between the market and non-market sectors, as perceptively analysed by Bacon and Eltis.

While one may question the wisdom in today's circumstances of pursuing an economic policy which is not based

Continued on next page

## Many a slip on the road to Rome

It was not until Sunday, March 13, that Mr Alan Whittemore, head of the European department of the IMF, and his aides—Mr Peter Finch, Herr Albert Schmidt and Signor Umberto Dell'Anno—succeeded in completing the text of the letter of intent that the Italian Government was to sign to get the \$330m loan that had been asked for so long ago.

For the first time, after many months, Mr Whittemore felt relieved: at long last they had reached the end of negotiations that had been started a year previously, only to be interrupted a number of times and then resumed at the last moment when they appeared to have faded finally beyond recall.

The troubled Italian political situation had only complicated matters. The Treasury Minister's chair was now occupied by Signor Gaetano Stammati, in place of Signor Emilio Colombo.

After years of friendship the two cordially detested each other. Signor Stammati, now released from a protective armour that he found too restrictive, accused Signor Colombo of having bequeathed him a ministry that was falling to pieces. Signor Colombo, from Strasbourg, where he was busy presiding over the European Parliament, replied that for 20 years Signor Stammati had been one of the people most responsible for that ministry.

From the feud between the two, those working with them had also suffered. One especially was Signor Ferdinando Ventriglia, director general of the Treasury, whom Mr Whittemore had met in Paris in October 1976 with Signor Mario Ercolani, director general of the Bank of Italy.

He remembered with admiration their tenacity, and the skill with which they had defended the tax on foreign currency purchases, imposed to protect the lira against speculation. With their collaboration the first conditions for the letter of intent had been drafted: a reduction of at least 5,000,000 lire in the enlarged public sector deficit, and the revision of the machinery of the *coda mobile*—the threshold payments system.

At Rome he had found other negotiators such as Signor Vincenzo Milazzo, principal private secretary to the Prime Minister, Signor Andreotti and government auditor, and Signor Antonio Fazio, head of the research department of the Bank of Italy. With them he had started to unravel the tangled skein of Italian public finances. He had only seen the Treasury Minister twice—once on his arrival, and once one evening at dinner.

Mr Whittemore sat thinking about all this after he had finished dictating his notes. His long sojourn in Rome had brought at least one benefit. He had been able to see again such true friends as Signor Sergio Siglienti, with whom he had shared an apartment during their first years in Washington, and who had now become a senior manager in the Banca Commerciale Italiana.

Signor Umberto Dell'Anno broke in on his thoughts: "Perhaps we ought to redraft the letter of intent. I heard that it is unlikely the trade unions will accept a freeze on negotiations at company level, and the exclusion of indirect tax increases from the *coda mobile*." Mr Whittemore had looked at him amazed—"But the government, according to Signor Milazzo, has already heard the trade unions' views on this. Signor Milazzo never said anything about trade union opposition. Anyway, we shall give the text to the Bank of Italy tomorrow, and then we shall see."

On Monday morning the document, in English, arrived on the desk of the Governor of the Bank of Italy, Signor Baffi, who had been kept constantly informed by Signor Fazio, already knew its contents. It did not take him long, therefore, to summarize the main points with Signor Ercolani. He ordered the text to be translated into Italian, so that it could be given to Signor Stammati on Tuesday evening on his return to Brussels.

Signor Stammati did not take long to read it. The somewhat severe conditions seemed acceptable to him, in view of the gravity of the Italian situation. At last he could tell Signor Andreotti that the negotiations with the Monetary Fund had been concluded and soon the loan, which was so necessary to give Italy new credibility internationally, would be available.

Signor Andreotti, who had been informed by Signor Milazzo, knew that the negotiations had been concluded, and was full of praise for the hard work done by the Treasury Minister. He asked him to give Mr Whittemore his best wishes and thanks for his collaboration, saying that he was a good friend to Italy".

As soon as Signor Stammati had left, Signor Andreotti sent for Signor Milazzo and his trusted economic adviser, Signor Luigi Cappugi. He wanted their assurance also that there would be no difficulties from the trade unions and the political parties regarding the conditions contained in the letter of intent. Signor Cappugi preferred to remain silent. Having been kept out of the negotiations, he did not consider he should offer an opinion. Signor Milazzo simply confirmed what Signor Stammati had said. "But have the trade unions been advised?", Signor Andreotti asked. "I think so. All contact has been through Signor Evangelisti." But the President was not convinced.

His political sixth sense told him to check. The following evening at precisely 7.30 the director general of the Treasury went into the President's room on the first floor of Palazzo Chigi. Signor Andreotti went straight to the point, asking for an expert opinion on the letter of intent. To his amazement Signor Ventriglia replied that he knew nothing of its contents. "The Treasury Minister decided not to keep me informed." "Well", Signor Andreotti rejoined, "he gave me the text yesterday evening. Would you mind looking at it, and telling me what you think?"

Signor Ventriglia read the letter of intent carefully, while Signor Andreotti signed a number of urgent papers. "Well, what do you think?" "In the main", Signor Ventriglia replied, "the letter reflects what Signor Ercolani and I discussed in Paris in October. But I am rather worried about the clauses concerning threshold payments. It is unlikely the unions will want to accept them."

Signor Andreotti's sixth sense had not misled him. "In your opinion, could they be altered?" "It is hard to say", Signor Ventriglia replied. "Perhaps that could be discussed. The important thing is that, one way or another, increases in threshold payments should be kept within the agreed limits."

And so, as Signor Andreotti said, they would have to see Mr Whittemore again. "Do you know when the IMF delegation is leaving?" "I heard Signor Ercolani say that their flight to Washington is booked for Monday next." "Very well, let me think a bit. But please cancel all engagements. I may call a meeting with the Treasury Minister and the governor, at which I should like both you and Signor Ercolani to be present."

On Sunday morning, March 20, at 10 o'clock, the blue Alfa Romeo of Signor Stammati, Baffi, Ventriglia and Ercolani passed through the main gate of Palazzo Chigi. Signor Andreotti guided the discussion with great skill. He said they must protect themselves from any opposition on the part of the trade unions, and put forward as his own idea the alternative suggested by Signor Ventriglia. Signor Baffi agreed immediately. Signor Stammati tried to resist, pointing out that the commitment had already been entered into, but in the end he was convinced that it was perhaps worth talking to Mr Whittemore again. Except, as he pointed out, that he did not know how to contact him, since they had already said goodbye to each other. Signor Ercolani then mentioned that he had seen Mr Whittemore in the early afternoon at the Olympic Stadium, at the Lazio-Naples football match. One of the members of the delegation, Signor Dell'Anno, was a Neapolitan, and had said that before returning to America he wanted to see his team play. Tickets for the match had been presented by the Bank of Italy.

At 5 pm Mr Whittemore, dressed informally without a tie, returned to the Treasury, driven by Signor Ercolani. Signor Stammati explained the position, adding that the President was worried about opposition from the unions, and the feeling was that it would be wise to leave room for manoeuvre. Above all, social tension in the country gave appreciable grounds for concern. The day before, at a demonstration at Bologna, shots had been fired and two people had been killed. He hoped, of course, that no alterations would be necessary, and expected to be able to send the signed letter of intent to the director general of the fund, Herr Witteveen, the next week.

Signor Stammati's hopes were soon shown to be unfounded. On March 28, at a meeting requested by Signor Andreotti, the unions dug their heels in. They would never accept having the effects of increases in indirect taxation disregarded for the purposes of threshold payments. The most they could accept was that the effects of such increases should be reduced so that the trade union cost of living index should not exceed the average levels shown in the letter of intent.

This was an insuperable obstacle. Signor Stammati telephoned Washington, and attempted to explain the difficulty to Mr Whittemore without success. So Signor Andreotti asked him to take the first aircraft to America, confident that once he was there the fund's managers would understand. With Signor Stammati he sent the faithful Signor Milazzo.

It was a lightning trip that lasted very few hours, but made the telephone wires between Rome and Washington white hot. While Signor Andreotti was still negotiating with the unions, Signors Stammati and Milazzo received an icy welcome from Herr Witteveen, annoyed with "these Italians who are incapable of honouring a commitment". But Mr Whittemore mollified the director, pointing out that certain changes had been foreseen in Rome, and from there on, everything became easier. Signor Stammati informed Signor Andreotti that, as far as the IMF was concerned, there were no obstacles. The President in turn succeeded in closing the negotiations with the unions.

A few days later the head of the European department of the fund received the letter of intent signed by the Italian Treasury Minister, and passed it to the fund's board of directors, marking the file on the Italian negotiations "closed". Instead, it was a file destined to be reopened more than once. First, at the end of July, when it was realized that Italian government expenditure had greatly exceeded the limits that had been fixed. And then in September when Signor Stammati, recognizing at this point that the "concern" expressed by Mr Whittemore in a previous letter was more than justified, was obliged to ask for changes to be made to the clauses regarding expenditure for 1977 and 1978, and the public borrowing requirement.

N.G.

## Facts and figures

Excellent Good Fairly good Poor Bad Very bad Prev. performance	Rate of growth	Quality of growth		Maintenance of growth		
		Prices	Unemployment	Productive capacity	Foreign trade	Vulnerability to external factors
GERMANY	●	● ●	● ○	○	● ●	● ●
FRANCE	○	○	○ ○	○	● ●	○
ITALY	○ ○	○ ○	○ ○	○	● ●	●
BRITAIN	○	●	○ ○	●	● ●	● ●

## Inflation rate levels off

During 1977, amid all the disappointments caused by the abortive efforts to stimulate the influential economies into dragging the others out of stagnation, there at least has been the consolation of one success: almost all the big Western countries have achieved a significant reduction in their respective rates of inflation.

This is illustrated by the graph for the average rate in our four countries, which has fallen from its peak of 12.5 per cent in January to 6.5 per cent for the period August-October. In other words, the inflation rate has been almost halved in little over six months, no mean achievement.

The most spectacular progress has been made by Britain and Italy, commonly regarded as the weaker economies, which have brought inflation down from double figures, with an annual rate approaching 20 per cent, to single figures, or nearly, with a rate for the past three months of 6 per cent in Britain and 10 per cent in Italy. What accounts for these successes?

In Britain, the sharp reduction in wage increases, from an annual rate approaching 30 per cent to less than 10 per cent, has played a decisive part, aided by the firmness and, in recent months, rising value of the pound. That has accentuated the effect of falling world raw materials prices, with the result that the rate of increase of wholesale prices has been in steady decline: 12.5 per cent in June, 7.5 per cent in July, 5.5 per cent in both September and October.

There has been no similar improvement on the wages front in Italy, where the threshold arrangements continue to pose a threat. On the other hand, world prices and the lira's stability against the dollar have kept the rise in wholesale prices down to 0.7 per cent in two successive months, July and August. Even West Germany, where inflation was already low at

4 per cent, has been able to make further progress, with wholesale and retail prices almost at a standstill over recent months thanks to the rise of the Deutsche mark and wage moderation.

Only France has thus far failed to achieve sufficiently significant results, although the increase in wages has been brought down from nearly 20 per cent to roughly 10 per cent, while prices of raw materials and wholesale prices have eased as they have everywhere else and, except during the recent period, the franc has remained firm, against the dollar that is. Nevertheless inflation is still running at 9 per cent and resisting all efforts to bring it below this level apart from artificial measures such as tax reductions or price freezes.

A kind of ratchet effect seems to be ruling agricultural and food prices, allowing them to rise and preventing them from falling, and these are the prices to which households are most sensitive and which have the most immediate influence on wage claims. What a difference with West Germany or the United States, where they are falling.

There have been only the beginnings of success in cases where there has been heavy pressure on wages, as in Britain, or where activity has been maintained at a substantial level, as in the United States where company profits rose sharply by 20 per cent in 1976 and have kept up their impetus, rising at 10 per cent during the first half of 1977, appreciably higher than the rate of increase in wages (between 8 per cent and 9 per cent). In West Germany on the other hand, despite wage restraint, persistently sluggish activity has meant that corporate earnings fell by an estimated 4 per cent in the first half of 1977 while wages rose by 6 per cent (and public revenue by 11 per cent).

In Italy, industrial rationalization, particularly in the nationalized sector, poses even greater problems because of the high level of debt. In such circumstances decisive results can be obtained only by financial reorganization, such as that proposed in the Cari plan, under which debts to banks would be converted into shares and subsequently offered to the public. Although such a move is necessary, it would not be enough in itself. As elsewhere, there can be no recovery in the fortunes of companies without a recovery in activity.

It is for this reason that the Confindustria (together with the trade unions) has made representations to the Government to take early action to counteract the fall in activity

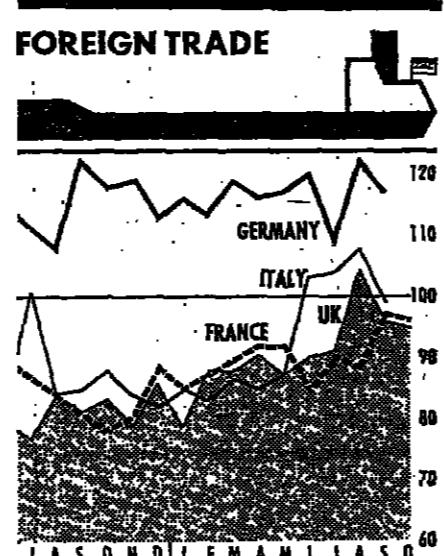
(which is shown up clearly in the graph on industrial production, where it can be seen that Italy's performance is the worst of the four countries). According to the Italian employers, the 2 per cent growth in gdp officially forecast for 1978 is insufficient; the target should be 4.5 per cent, even if that means that the external deficit would rise again.

Increased economic activity, then, is the order of the day, but not at the expense of the ground gained in the campaign against inflation. The Americans have shown that this can be done.

The main effort, therefore, will be needed on the domestic front from each individual country, most specifically through keeping wage increases at a reasonable level. That is the first priority in Britain, for instance, where employers are no longer being called upon to impose sacrifices as in the earlier phases, but to hold the line at a general limit of 10 per cent in the face of a rising tide of claims.

Italy needs to carry on combating the adverse effects of the threshold arrangements (particularly in view of the ominous October rise in the inflation rate), while acting to halt the decline in activity. In France, the effort needs to be directed primarily at non-wage incomes.

Maurice Bommensath



Foreign trade: Britain, Italy and now France, too, are managing to maintain cover of exports by imports at high levels close to break-even point. Their respective rates in October were 95 per cent, 96 per cent and 99 per cent.

The only aspect of Keynesian

In the past eight years more than a hundred writers and artists from all over the world have decided to move to Ireland. With famous names like Frederick Forsyth and Len Deighton among them, they represent the advance guard of the dense crowd of intellectuals attracted to the Republic of Ireland by a magnet that has proved irresistible—the law which exempts residents from paying tax on any revenue produced by creative work.

This is, one example, perhaps the least well known but no less significant, of the success that has been achieved by the package of incentives worked out by the young Irish Republic to give a fresh boost to the disorderly mechanism of the internal economy, which was threatening to condemn the country to a position at the bottom of the European Community League.

But, writers apart, there is no doubt that the Dublin Government has backed a winner in launching a series of revolutionary proposals that have immediately been snapped up by the business world. Ireland's great need was to steer its way clear of the sand-banks of the recession caused, to a greater extent than elsewhere, by the joint effects of two economic factors—on the one hand the predominantly agricultural structure, slow and hostile to the pressures for industrial change, and on the other the outflow of labour which, massive though it was, was not sufficient to offset the worrying increase in unemployment.

The incentives that were promised—and, what is more, have been granted—have brought about what Plant Location International, a Belgian company specializing in the placing of investments, has not hesitated to describe as a "real miracle". In 15 years 662 foreign companies have been "persuaded" to establish themselves in Ireland with a total capital investment of £547.6m and the creation, as a result of 76,670 new jobs.

Among the facilities offered the main incentive was 100 per cent exemption from income and other tax on profits deriving from the export of goods produced in Ireland up till April 1990. The threat of double taxation no longer hangs over repatriated profits, as a result of the agreements in force with 19 countries; and that is not all.

Foreign business is allowed to deduct, for tax purposes, the total cost of plant outfitting expenses with

## Tax-free magnet draws writers, artists

a concession that can amount to as much as 120 per cent, in the case of factories built in depressed areas; investments are supported by non-repayable subsidies, which go from 35 per cent to 50 per cent; the Government bears the cost of professional training and even goes so far as to finance generously training courses for technicians and managers, and is open-handed in granting loans and assisted contributions for research, development, and the construction and rental of production centres.

A remarkable feature is the absence of bureaucratic delay, which has always been the classic obstacle in the way of all good intentions. From the time the feasibility study for a project is presented up to the time the grants are available, no longer than a fortnight passes, which is a record in keeping with the whole style of "Operation Taxation Paradise" as imposed by the IDA (Industrial Development Authority), the government body which has flung the doors of Ireland wide open to foreign investment.

No wonder, then, that so many companies have taken the bait offered to them so attractively; the Irish do not ask for shareholdings in foreign companies, and scrutiny of balance sheets is reduced to a minimum (thus many multinationals can artificially inflate the profits of their Irish branches).

Of the foreign companies that have set up in the Republic of Ireland since 1960, the proportion of English companies has fallen from 97 per cent to 32 per cent, followed by the Americans with 30 per cent and the Germans with 19 per cent.

In the investments sector America has taken the largest share, almost 48 per cent of the total, with £265.3m; the United Kingdom has invested £91.4m, Holland £67m and Germany £48.2m. The rest of the industrialized nations (Austria, Australia, Canada, Denmark, France, Italy, Japan, South Africa, Sweden and Switzerland) have gambled £75.7m in Ireland.

Which direction have these investments taken? In top place of preference are the textile complexes, electronics, chemical factories, and industrial machinery. These include the Thermo King Corporation, a subsidiary of the American Westinghouse, which has opened a plant for producing refrigerator units near Galway; the German Boehringer pharmaceuticals firm; the French firm Télé-mécanique Électrique; the Italian

Ferrero confectionery firm, and Glaxo, manufacturing veterinary products.

For all of these, and for the other tax refugees, the axes which decided the issue were always the same: low labour costs (the average hourly wage for the Irish workman, including social security contributions, is \$2.73 compared with \$3.28 in England, \$6.41 in Germany, \$5.62 in France and \$5.23 in Italy); a relatively calm trade union climate (the local unions have so far refrained from declaring war on the multinationals); and the great efforts made by both the Government and the Opposition to respect the commitments entered into by the IDA.

If, therefore, the advantages for foreigners are obvious, there have also been considerable benefits for the Republic of Ireland from its courageous policy of giving industrial incentives, and the most remarkable progress has been in the employment sector. In 1960 the country was only able to "invent" 250 jobs a year, a sad state of affairs that fed the scourge of unemployment and drove hundreds of thousands of Irishmen to look for work abroad. Now the trend has been reversed. Since 1973, 30,000 Irishmen have returned home to jobs in industry, the rate of growth of gdp is about 3.5 per cent a year, and exports have risen by 18 per cent.

On the other side of the coin there still remains the high rate of youth unemployment—which is almost three times the average for the EEC—and the low availability of skilled labour. As one foreign manager says: "The Irishman could certainly not be called the perfect worker. He is slow to learn new techniques, and has a marked fondness for absenteeism; in short, he has still a long way to go in order to acquire the necessary approach to work."

So far, about 60 small firms have given up. They all closed in Ireland for the same reason; the gain from tax exemption was more than lost by the import of efficient and, above all, punctual workers.

Many eyes have already turned apprehensively to 1990, the year in which the tax facilities should end. Their renewal will depend to a large extent on whether new oil deposits are found on the Irish continental shelf, in the region of Cork. In that case the Republic of Ireland could become self-sufficient in energy, and hence come to do without foreigners, a possibility which Dublin likes and the outside world likes much less.

Piero de Garzarolli

## Keynes is still the inspiration

Continued from previous page

on the work of all and which assures the full employment on the basis of the work of just a few people, one can scarcely deny that this was the quid pro quo for a degree of social peace. Nor can it be gainsaid that the policy is likely to continue and, even be accentuated, in the future if as many technological innovations are introduced in such sectors as news, communications and management as were applied to industrial activities at the beginning of the last century. If this proves to be the case, it is difficult to see how it will be possible to take any other course than in the past, whatever the complications.

The only aspect of Keynesian

policy which is clearly unsuited to today's conditions is probably its protectionist content. That is not to say that the recent problems in international trade do not make the return or accentuation of certain forms of protectionism highly probable, but the scale of such manifestations of protectionism could only be limited.

There is no comparison between the extent of integration of the world economy today and in 1930. Then it was possible, and indeed justifiable, to explain to a nation—the British—that it was beginning to pay too high a price for its declining domination and that it was better to withdraw from the world which it had fashioned almost alone and not without benefit to itself.

Inflation is not the only shared experience. There are those who may be satisfied with explaining the inadequacy of the policies that have not progressed beyond Keynesian principles by blaming the purely national character of the theory underlining them, but they would be deceiving themselves.

A.C.

## Copper forecasts missed mark

Just as the economic forecasts of world-wide economic recovery by the second half of 1977 have proved false, so predictions of prices for copper, the most important non-ferrous metal, have been wrong. Most forecasts were agreed that copper prices would rise considerably in the second half of 1977.

In fact copper prices on the London Metal Exchange and the New York Commodity Exchange are only just above the low for the year, at £645.50 a tonne and 54 cents a pound respectively. These prices are below the depressed levels of last year.

There is, admittedly, a strong connexion between the inaccurate forecasts for the economies and for copper. Copper is a primary commodity, subject to extreme fluctuations in price. The principal consumers are the electrical engineering industry and other industries particularly affected by the state of the economy, like mechanical engineering and construction. And the electrical engineering industry has been delaying investment in the face of repeated appeals to save energy, and has hence bought less copper than usual.

Despite all this a London company, Amalgamated Metal Trading, has forecast annual consumption of copper at 6,700,000 tons for this year, easily above 1976 levels, although still far below record consumption in 1973 of 6,900,000 tons. The only year since 1970 in which consumption outstripped production was 1973. Production in the current year is expected to be 6,900,000 tons, and will again be considerably in excess of demand.

This over-production, which has persisted for years, has meant a vast increase in world copper stocks. At the beginning of 1970, world copper stocks in all countries amounted to 817,000 tonnes; at the beginning of this year they stood at 2,800,000 tonnes, and by the end of the year Amalgamated Metal Trading estimates that they will be 3,100,000 tonnes.

The ratio of stocks to consumption shows clearly the desperate state of the copper market. In 1970 world stocks were 19.3 per cent of annual consumption, today they are 45.8 per cent. And if this development is not

halted, Amalgamated Metal estimates that by 1980 the ratio will be more than 50 per cent.

This overproduction is particularly surprising because the market price (now 54 cents a pound) means that only very few firms can produce copper at a profit. The experts of The Economist Intelligence Unit give 65 cents a pound as the minimum break-even point for the bulk of copper producers. Production costs in the United States are actually 80 cents a pound, on average.

The reasons for the present unsatisfactory state of affairs are to be found in the later 1970s. Expectations of rising copper prices led the industry to open new mines and expand capacity. At present, according to Charter Consolidated figures, only 85 per cent of capacity is in use, on average, but this level of operation is still high enough to lead to further increases in stocks.

At a time of falling prices, the developing countries, in particular, are attempting to keep their earnings from copper stable by increasing production. Copper is the second most important commodity produced by these countries and is one of the 10 "core commodities" for which the developing countries are trying to get commodity agreements with the industrialized countries aimed at stabilizing prices.

A commodity agreement for copper has been in existence since 1967, when the copper exporting countries Chile, Peru, Zaire, and Zambia formed CIPEC (Conseil Intergouvernemental des Pays Exportateurs de Cuivre). At the end of 1975 Indonesia was admitted to full membership, and Australia and New Guinea became associate members without voting rights. For a long time, however, CIPEC was simply not in a position to stabilize copper prices, above all because the United States, the biggest producer and consumer of copper, is not a member of CIPEC.

In the United States, President Carter has taken over the stockpile policy introduced by the Ford Administration. This was based on the idea that the United States should have strategic reserves adequate for a three-year war. As this still requires Congress's approval it will be some time before stockpile purchases can begin.

The only quick method of price

stabilization for now would be a cut in production of at least 10 to 15 per cent. This is, however, rejected by the CIPEC countries. An even more radical proposal comes from Mr Joseph Zimmermann, a director of Miles Metals Company, New York: an immediate halt to production, and assumption of a quarter of current stocks by marker support institutions. This would produce a state of balance in the market by 1980.

Other experts believe that this will be brought about automatically if present low prices continue for any length of time. This is because most producers are selling below production cost, and would be forced in the longer term either to reduce production or to go out of business altogether. This group argues that the lack of willingness to invest among copper producers will bring about a state of copper shortage by the beginning of the 1980s. The question then would be how low can copper prices go, but how high.

Leo Fischer

Fr. Mondi  
L'ESPRESSO  
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## A to Z of the EEC

Useful forms of shorthand or polite euphemisms? A glossary of some of the commoner terms that have become part of the language of diplomacy in Brussels and what they really mean.

**ACP:** African, Caribbean and Pacific developing countries granted financial aid and trading concessions by the EEC under the Lomé Convention.

**Association:** status first granted by EEC in Greece; and now enjoyed by other Mediterranean countries; going beyond mere trade agreement but falling short of full Community membership.

**CAP:** Common agricultural policy.

**Common customs tariff:** common tariff exacted by the Nine on imports from outside the Community.

**Communautaire:** French term meaning roughly "community-minded". Certain states, notably France, are generally acknowledged to be much more skilled than others, notably Britain, in dressing up self interest in *communautaire* disguise.

**Community preference:** doctrine that EEC countries should give preference to their markets to imports from other member states, particularly in agricultural trade. A controversial exception are Britain's imports of New Zealand dairy products.

**Couper:** abbreviation of French title of the committee of permanent representatives, the ambassadors who head the national missions of the Nine accredited to the European Communities in Brussels. The committee prepares meetings of the Council.

**Council:** Council of Ministers, the

body which represents the Nine and takes decisions on the proposals submitted by the European Commission. Not to be confused with the European Council.

**Court of Justice:** sits in Luxembourg; its main function is to rule on alleged infringements of the Treaty of Rome.

**Deregulation:** euphemism for permission to break the rules; EEC member states are asked to accept common rules in principle, but allowed many derogations in practice. It is the basis of the EEC's survival.

**Directive:** proposal by the Commission, which, if approved by the Council, leaves member governments free to introduce the appropriate legislation at the national level.

**EMU:** Economic and Monetary Union—legendary objective involving ultimately the adoption of a single European currency and establishment of a single central bank and monetary authority, once talked of as a possibility by 1980. This target has long been abandoned, but the Commission is attempting to stimulate faster progress towards EMU.

**Enlargement:** what happened when Britain, Ireland and Denmark joined the Community and will happen again if Greece, Spain and Portugal do the same.

**Euratom:** the European Atomic Energy Community.

J Jacques Ferry

## Steel: crisis hour

French employers are traditionally inclined to dirigisme, whether national or international. Despite this M. Jacques Ferry, Chairman of the Chambre Syndicale de la Sidérurgie (French steel producers' association), has accepted state aid for several years in his efforts to tackle his industry's serious problems.

In the early 1970s, for instance, the massive investment programme considered necessary to meet competition from abroad was made possible by substantial loans from the Government. And, more recently, the plan to solve the French steel industry's crisis by reducing the labour force by 15,000 between May 1977 and May 1979 came into being as a result of negotiations with senior government officials.

Vice-chairman of the CNPF (the French employers' organization) and chairman of its influential economic committee, which deals with international relations as well as economic policy, M. Ferry wears his 64 years' grey after a lifetime packed with economic, political and human experience. This may well be the strength which enables him to counterbalance the weaknesses inherent in his position at the head of an industrial federation which is chronically sick, permanently dependent on the state and threatened with nationalization by the parties of the left.

But does he not also have the irony of fortune on his side? We are now

seeing a repetition throughout Europe of the type of situation he experienced in France a number of years ago. The European steel industry, under attack from all sides, is going through a crisis. On its own markets, which are the only major industrial markets to remain open to all onslaughts from abroad, the battle is raging, while abroad, particularly in the United States, the competition is protecting itself against intruders. Even the German steelmakers, traditional supporters of complete free trade, are beginning to come round to the line taken by those in favour of coordinated action by the industry as a whole and negotiation of international agreements to lay down standards for relations between competitors.

Since the beginning of this year M. Jacques Ferry has been chairman of Eurofer, the association of the principal steel producers in the nine countries of the EEC, and in this capacity he has been in constant touch with Viscount Etienne Davignon, the member of the European Commission responsible for industrial affairs, so that he now commands attention among the industry and among the administrative authorities.

In pressing for the opening of negotiations between the European Commission and the American Government to put an end to the unfair competition and hypocritical protectionism which are on the increase,

ECSC: the European Coal and Steel Community.

**European Commission:** the supposedly supra-national body which prepares and submits policy proposals to the Council.

**European Council:** thrice yearly sum meetings of EEC prime ministers. France is represented by its head of state. Not to be confused with Council of Ministers.

**European Parliament:** sits in Strasbourg and Luxembourg. Little more than consultative body, but may be directly elected for the first time next year.

**European union:** mystical goal vaguely referred to in the preamble to the Treaty of Rome. Taken by some to imply the eventual creation of a united states of Europe and by others to mean not much more than an obligation to cooperate more closely.

**Export restitution:** euphemism for the large subsidies that have to be paid to EEC exporters to enable them to sell the Community's overpriced food surpluses at competitive prices on world markets.

**Green currencies:** artificial exchange rates designed to shield the EEC's common farm prices, fixed in units of account, from the fluctuations of the national currencies into which these prices are translated. The rates are

sustained by monetary compensatory amounts.

**Harmonization:** progressive introduction of EEC-wide norms and standards designed to remove non-tariff barriers to trade. Standardizing urge led to misguided attempts to promote such absurdities as Euro-bread, Euro-beer and Euro-ice cream, now abandoned.

**Intervention price:** the market price at which the EEC buys up farm produce, such as beef and butter, and puts it into storage to prevent prices falling further. Central feature of the CAP, though not as sacrosanct as formerly, and enables the EEC to offer farmers guaranteed prices.

**Luxembourg compromise:** the agreement of the Six of January, 1966, which effectively gave every EEC member state the right to veto a proposal deemed to threaten a vital national interest. Insisted on by France as the price of returning to Council meetings which it had boycotted for much of the previous year.

**Mandate:** terms of the brief given by the Council to the Commission for negotiating trade agreements on behalf of the Nine.

**MCA:** abbreviation of monetary compensatory amount, the terms used to describe the taxes and subsidies on farm trade used to maintain the green currencies.

**Regulation:** proposal from the Commission which is approved by the Council immediately becomes law in all member states.

**Mountains:** stockpiles of surplus beef, butter and so on created by intervention.

Nine:

present members of the EEC.

Schloss Gymnich:

German château which has given its name to the twice yearly informal and supposedly secret meetings of EEC foreign ministers first held there.

Six: EEC before Britain, Denmark and Ireland joined.

**Transition:** five years allowed Britain, Ireland and Denmark after entry to adapt to the requirements of EEC membership. This period runs out at the end of this year.

**Units of account:** embryonic European currency used as a device for calculating the EEC budget, fixing farm prices and in certain transactions with non-Community countries. The value of the unit of account in

variable for which it is being used. Variable levy: euphemism for import controls. Special taxes, which can be varied according to market conditions, exacted on imports of farm produce into the Community to prevent them undercutting generally more expensive Community produce. In some cases the levies are so steep as to amount to an import ban.

Michael Hornsby

Piaggio

## Revolution on two wheels

Piaggio, the Ligurian firm that produces mopeds and the Vespa scooter, was founded in 1884 and originally manufactured products for the shipbuilding industry. Subsequently it extended its activities to manufacturing railway carriages, and finally entered aeronautics—in 1915.

Immediately after the last war Piaggio, like many other Italian firms, was faced with the problem of converting its plant back to production for normal civilian commercial needs. Thus, from an original idea promoted by Enrico Piaggio and developed by a team of designers under Corradino d'Ascanio, the Vespa was born.

This revolutionary two-wheeler was the fruit of technological experience far removed from the final product, a vehicle with a stamp entirely its own. The main requirements were to be able to get about on two wheels without getting dirty, to be able to mount and dismount without fuss, to have an easily replaceable spare wheel and to keep running costs, both of fuel and maintenance, very low.

With its previous experience in the aeronautical industry, the team was able to produce an original design to meet these requirements, with a load-bearing body structure, direct transmission from the engine to the rear wheel, interchangeable wheels, a front suspension of the type used on aircraft undercarriages and, throughout, the use of light alloys to keep weight down.

The Vespa's success, which is continuing after 30 years in production, six million Vespas have been sold all over the world—has been accompanied by various myths, such as that it uses aircraft undercarriage wheels or aircraft starter motors. The truth is that it is a newly-designed product through and through.

Since February Piaggio—a company with a turnover of 200,000m lire in 1976, and a forecast turnover of 250,000m lire for this year—has had as its managing director and vice-chairman (the chairman is Signor Umberto Agnelli) Signor Giovanni Squazzini, born 54 years ago in Novara and a graduate of Turin Polytechnic in 1946, who came to Piaggio from Lancia, where he had been managing director for three years. We asked Signor Squazzini a few questions.

What are the prospects in Italy, and in Europe as a whole, for the two-wheeler market?

In 1976 total Italian production of motor-powered two-wheelers—excluding, therefore, bicycles—was over a million machines, an increase of approximately 21 per cent over 1975. Of these, 770,000 were mopeds. Over the same period Piaggio's share of total production was 500,000 machines. In the first six months of 1977 there was an increase of 24 per cent in total production. Piaggio's own output grew correspondingly, and we reckon to produce about 550,000 machines of various engine capacities (from 48cc

to 200cc) this year.

About half of Piaggio's production is taken up by the home market, and the remainder is exported. Where exports are concerned, I might just mention that the total amounted to 34,000 machines, of which 24,000 were made by Piaggio.

With regard to the immediate future, both mopeds and scooters can look forward to a period of growth although, in the case of mopeds, competition in the export market is becoming increasingly fierce from the French, Germans and Japanese.

There may be a substantial increase in our exports to the United States, where President Carter's energy policy presents interesting growth prospects for low consumption two-wheelers, especially mopeds.

Piaggio's profit and loss account shows your firm's solidity and substance. What do you think of Italian publicly owned industry, about which the same cannot be said?

My main concern is to ensure that Piaggio continues to be a solid, dynamic, efficient company, just as I found it. As far as the publicly-owned sector is concerned, I hope it may soon shake itself free from the difficulties with which it is at present bedevilled, since this is in the interests of the entire Italian economy, which will benefit accordingly. What every firm must preserve is the competitiveness of its products compared with those of its international competitors. This is the only yardstick.

How are relations with the trade unions in your firm?

We have established a policy of continuing dialogue with the workers' organizations, so as to obtain agreement where company policy is concerned. Adjustment and updating to meet the indispensable needs of technology must, at the same time, bring positive answers to social needs. The last union dispute over the renewal of the labour agreement was settled, after searching discussions, to the satisfaction of both sides.

Has the oil crisis helped the two-wheeler market?

The high cost of oil undoubtedly favours the use of low-consumption vehicles, especially for short journeys and in towns. But in spite of that, the present economic crisis and prevailing inflation are not favourable factors, not even for the two-wheeler sector, since the reduced purchasing power of the individual can affect our market.

And now about yourself. You come from Lancia, the car firm you revived successfully. What do you think of your move from the four-wheeler to the two-wheeler sphere?

Cars were my first love, which turned into a marriage that lasted almost 30 years. Obviously, one never forgets one's first love, but it is also true to say that we are not divorced, since I am still managing director of Ferrari, which is the most symbolic and exciting of all the four-wheelers.

I have discovered the world of the two-wheeler day by day, from the time I joined Piaggio. It is an extremely interesting world since it is youth-oriented, and I find young people competent and determined in the choices they make. That is why you have to offer them products which measure up to their expectations—youth allows no mistakes.

As far as technology, market research and the means of production are concerned, it is no different from producing four-wheelers. There is one advantage: being in contact with young people keeps you a bit younger. And that is quite a lot.

Renzo Villare

## Agriculture: embarrassment of riches

The negotiations on farm prices about to start for the year ahead traditionally mark the zenith of the European agricultural timetable, providing an opportunity to reappraise the health of the Common Agricultural Policy and to consider any adjustments.

The main feature of the dim situation confronting the Nine is over-production. A new development which is disturbing for countries like France, The Netherlands and Italy which 20 years ago banked on the agricultural common market of a "green Europe" in which the influence of specialization would decline and each member state would become or aspire to become self-sufficient, is that there is now a permanent surplus in a number of key products—sugar, beef, wine.

Stocks continue to rise and the cost of absorbing them is placing an increasing burden on Community finances year by year; expenditure on price maintenance by the European Agricultural Guidance and Guarantee Funds (EAGGF) since 1973, the year when Britain, Denmark and the Republic of Ireland joined the EEC, has risen as follows: 3,900m units of account in 1973, 4,100m in 1974, 4,700m in 1975, 5,500m in 1976, 7,100m in 1977 and an estimated 8,300m in 1978.

What is the explanation? In addition to the well-known factors (prices pitched too high originally, gaps in the arrangements for protection of EEC members by allowing excessive imports of vegetable proteins), two more recent phenomena have contributed to the deterioration of the situation.

The first of these has been the crisis. The Common Agricultural Policy was based on the assumption of economic expansion and prosperity which, the eager lawgivers of the 1960s believed, would be sufficient to eliminate the inherent imperfections of an operation (integration of old Europe's farming industries) which was both novel and revolutionary. Today, agricultural modernization is being held back by the difficulties experienced by farmers wishing to switch to other occupations.

The stagnation in purchasing power is having an adverse effect on consumption. Governments, under pressure from all sides to revitalize their flagging economies, are naturally paying more attention to the rise in EAGGF expenditure.

The second new factor is monetary disruption. The problem is well known: actuated by political expediency member states have

generally chosen to cushion farm prices against fluctuations in their exchange rates.

European agriculture is functioning under an artificial exchange rate system whose commercial effects are corrected or supposedly corrected by the application of compensatory monetary levies. As a result, agricultural production and expansion in the countries with strong currencies—led by West Germany—enjoy an abnormal advantage and this has undoubtedly done much to impede the normal development of farming.

A few statistics will serve to illustrate this situation. West Germany is the country where milk and meat stocks are highest. In September 1977 stocks of powdered milk, a particularly critical product, stood at 657,000 tonnes in West Germany, compared with 180,000 tonnes in France and 140,000 tonnes in the three Benelux countries together. On the trade side, the Germans are steadily ousting the French as exporters of animal products to Italy. This is serious, because stopping specialization in this way jeopardizes the productive potential of the EEC regions whose only asset is their agriculture.

What action has the EEC taken? What does it intend to do to rectify the situation? The need for action seems all the more urgent with the

prospect of the enlargement of the Community to include Greece, Portugal and Spain, which complicates the issue in that it would necessitate the reorganization of farming in the Mediterranean. The European Commission reiterates that a policy resulting in surpluses must be rejected, but has yet to put forward firm proposals in pursuance of this profession of faith.

Apart from its efforts to secure the gradual elimination of compensatory amounts and thereby a return to unity of farm prices, it has been content with timid exploration of two courses, the first aimed at enlisting the aid of producers in its endeavours to reduce the surpluses. This is the "joint responsibility levy", the 1.5 per cent tax on milk.

This exercise already seems doomed to failure. No one in Brussels believes that it will lead to a reduction in output—small dairy farmers are not being discouraged, but merely mugged—and there is scepticism about the effectiveness of the new expenditure on increasing outlets which is being funded with the proceeds of the tax.

Encouraging consumption by reducing prices is the aim of the proposal put forward by Mr Finn Olav Gundelach, the Danish commissioner responsible for agricultural affairs, in the hope of reforming the support system applicable to beef and veal. The effect of this proposal would be a reduction in the intervention price, but it has little chance of being adopted by the Nine.

Philippe Lemaitre

## Energy: opportunity for accord lost

This development would probably not have been too much for the less powerful companies had it not been coupled with a big distortion of competition between the European oil-producing companies (with another source of income) and the others. In an article published in August 1977, Herr Jurgenssen, a Hamburg professor of political economy, pointed out:

"Since 1974, companies controlling almost half of the refining capacity in West Germany have been allowed to offset nearly DM 2,000m (roughly £500m) a year whereas the other operators have no other recourse than the choice between an actual loss and a distortion of profits to the detriment of expanding sectors."

As West German tax law allows consolidation of profits on production and losses on refining, prices fell with the result that companies were obliged to sell at a loss. And the contagion of German prices has spread to most of Europe. In time this could lead to a decline in exploration and publication of a scale

of prices at the beginning of November 1977. This year France, The Netherlands and Italy have also submitted memoranda to the Community, but whereas the Italians are calling for the establishment of an oil community along the lines of the ECSC (European Coal and Steel Community), the Dutch are only thinking in terms of consultations over the creation of any new refining capacity and are against any reduction in existing capacities.

A look at how the next generation will cope

## In the steps of their fathers

What hope is there for Europe in the hands of the next generation? This was the central point in a survey carried out by Deutsche Shell to mark its seventy-fifth anniversary. Shell carried out the work together with the Ennid Institute for Market Research and Opinion Polls, with the Ifop-Eumar Institute in France, and with Social Survey (Gallup Poll) in the United Kingdom, and has now published the results. In the course of the extensive survey by the three groups, the researchers came up with results that agreed to an unusual degree. It is possible to argue from their conclusions that European values have permeated Europe's youth thoroughly.

All the young respondents attached great importance to getting on at work; in the United Kingdom 95 per cent of respondents in the age-group 12 to 23 (half male, half female) felt this was important, in France 86 per cent and in West Germany 80 per cent. Public spiritedness was approved by 87 per cent of West Germans, 81 per cent of French and 78 per cent of United Kingdom youth. Thrift was regarded as a good quality by 81 per cent of the British youth, 80 per cent of West German youth and 74 per cent of French.

The greatest difference was in the question of how young people saw property: only 62 per cent of the French respondents thought it was a good thing, while 81 per cent of United Kingdom and 84 per cent of West German youth approved of it. This marks a radical change in the West German attitude since 1960, when only 44 per cent of those asked thought that property was absolutely necessary, and 24 per cent actually rejected it.

One particularly interesting question probed socio-psychological aspects of European youthful personalities: "Imagine that you have done something wrong, you have been short with someone who has been good to you—what would you do?" Seventy per cent of respondents in West Germany and 76 per cent in the United Kingdom said they would apologize, 17 and 16 per cent respectively said they would try to make it up by some action. French youths reacted in an entirely different way: regard for one's fellow men is particularly important and widespread there. Ninety per cent would apologize, and as many as 46 per cent would try to make up for the slight.

How often do young people in Europe read a book? The question asked was, "Who has read at least one book in the past fortnight?" The answer: 71 per cent in France, 68 per



talked about politics with their friends, and 13 per cent belonged to discussion groups.

The lack of interest in politics among young people in the United Kingdom was shown in the 40 per cent of the sample that did not reply to this question at all; 36 per cent said that they discussed politics with friends, 28 per cent with their families at home. The report concludes: "In all European countries there is a link between more critical attitudes and the level of education, but virtually nothing remains of the highly critical tendency of students in higher education which we saw in West Germany in the late 1960s."

The European institutions and their work do not appear to strike a chord among the continent's young people: when asked if they followed the debates in the Parliament at Strasbourg or read about the conferences at Brussels, only 11 per cent of West Germans said that they did, 11 per cent of United Kingdom youths were interested, but 21 per cent of young people in France took an interest. Naturally, the degree of interest increased with age, but the European events in the Parliament and Commission were dismissed as "uninteresting" by 80 per cent of West Germans between 22 and 23, 79 per cent of United Kingdom respondents in this age group and only 48 per cent of French respondents of this age.

The increase in knowledge of a foreign language is an important positive factor in increasing contact between present generations, and hence in advancing the cause of European unity. Of the 53 per cent of West Germans, 68 per cent of United Kingdom youth and 55 per cent of French who do not speak a foreign language, were asked "Would you learn a foreign language if it was free?" On this condition 50 per cent of West German youth would learn English and 19 per cent would learn French; 63 per cent of the French would learn English and 15 per cent would learn German; and 37 per cent of the United Kingdom youth would learn French and 23 per cent German.

Taking all age groups, 45 per cent of young West Germans are able to read newspapers in English, and 14 per cent in French; 6 per cent of young British people can speak German and 24 per cent speak French; and 8 per cent of young French people speak German and 28 per cent English. In West Germany, knowledge of a foreign language is related to the level of education: in the top educational group 90 per cent speak English and 50 per cent French.

French figures are somewhat lower:

at comparable educational levels only half speak English and 12 per cent speak German. The United Kingdom is strongly affected by its traditions of getting by without foreign languages: the best results are to be found among the upper middle educational stratum, where 12 per cent speak German and 39 per cent French; the top educational level makes a rather poorer showing.

And what does European youth feel about its prospects at work? Is hard work the only important factor, or does success depend to a great extent on the wealth of one's father? Or do you need luck as well? In France the young from the families with the lowest incomes and little education are convinced that a young person's succession a profession is better; the higher the social standing of his father. Those respondents in France in the upper social groups were certain that everyone started from the same point in employment, irrespective of the father's social position and income. The researchers posed the question whether those with a higher education knew more about the real conditions than the others.

In the United Kingdom, where there is a different democratic tradition, there is a rapid falling-off in the belief in the significance of equal opportunity in the occupations with age and education. Already at 17, the idea has begun to gain ground that the position and income of one's father can be decisive. The same trend is apparent in West Germany, where the older and better educated share the opinion that the father's status is

critical for one's start in an occupation.

The pollsters were surprised to learn that in the United Kingdom, where there is the highest proportion of unemployed among young people, all age groups share the belief that their prospects of employment are very fair. Only 9 per cent of United Kingdom respondents felt their prospects were poor or very poor. Corresponding figures in West Germany were 12 per cent and in France 23 per cent. In these countries, pessimism increased with age of the respondent.

A frightening conclusion for sociologists is the decline in interest in further education among young Europeans. Eighty-seven per cent of young West Germans, 83 per cent of young people in Britain, and 81 per cent in France were not interested in courses in adult education, further training, correspondence courses, vocational training, apprenticeships or external university degrees.

How mobile is Europe's youth? The answer is, very. Some 54 per cent of United Kingdom respondents were ready to work for a considerable part of their working life in another EEC country, 49 per cent of French, but only 39 per cent of West German youths were willing to leave their homeland for any time. The willingness of West German youths to work in England fell with age, but their readiness to go to France remained constant for all age-groups at 20 per cent. Other EEC countries were scarcely considered at all by young West Germans.

In the United Kingdom, however,

increasing numbers and proportions of young people were interested in working in West Germany, but significant numbers were willing to consider Italy and the Benelux countries as well. Of young Frenchmen and women 24 per cent were prepared to work for a while in Britain, 18 per cent were interested in working in West Germany, and 11 per cent each in Italy and the Benelux countries respectively. The same trend was visible throughout: the higher the level of education among respondents, the more mobile they were.

The pollsters interpret the limited extent of nationalist pride among European youth as "acceptance of further European extension". Only 16 per cent of West German youths said they were proud to be German, 44 per cent said they did not have strong feelings either way; 26 per cent of young respondents in the United Kingdom replied that they were very proud to be British, and 26 per cent were indifferent. Astonishingly, only 10 per cent of young French people were "very proud", and 52 per cent were indifferent about their nationality. In all the countries, however, this indifference towards nationality was strongest in the upper social groups: the figures were 63 per cent in France, 60 per cent in West Germany and 50 per cent in the United Kingdom.

The conclusions are obvious: Europe's chances for future unity increase with increasing education and standard of living among the inhabitants of the continent.

Hans Baumann

### Personnel managers become indispensable

## 'Firemen' climb the company ladder

In the industrialized nations the organization of the firm has developed on similar lines to their economies. European academics and practitioners have been gathering at a conference of the Deutsche Gesellschaft für Personalführung (German Society for Personnel Management) to discuss "the current state of development in personnel management in enterprises in European countries". The last conference on that theme was in Stockholm in 1966.

How have scientific and political changes in this decade affected personnel management? Has the status of the personnel department in the firm changed relative to other departments? Where does personnel management fit into the firm? Have the tasks of the personnel department changed? Those were the central points under discussion.

M Jean Enderlin, of the Association Nationale des Directeurs et Chefs de Personnel, Paris, outlined developments in personnel management in France since the end of the last war. The personnel manager began as the "fireman" or "welfare worker". This early stage was marked by "early struggle by France to build up her economy, and the general withdrawal from the French colonies". M Enderlin said that "a firm's first task was to produce and be economically viable. The personnel manager's tasks were essentially subservient to these goals".

The disturbances in May 1968 changed those tasks. More and more qualified people were sought who could defuse social tensions skilfully and incisively. The manager of personnel was "increasingly established in company management". The economic boom that was taking place at this time, with the accompanying need to find markets led to the replacement of traditional assessments by scientific approaches: the worker's suitability for his job became a method of rating.

The latest phase began with the oil crisis of 1973-74: "the economic crisis, unemployment and the worker's desire for a steadily-increasing standard of living, these have all made the company a focal point and centre for the tensions of life". Where the personnel manager had been the "executive" during the second phase, M Enderlin now sees him to a great extent as an "adviser and mediator".

In addition to his previous tasks, the personnel manager must now act "as an adviser to top management, to be a mediator in tense situations, and adapt the company's social strategy to its other key policies", according to M Enderlin. "And this state of affairs is being made worse by state interference, social legislation and other policies."

In West Germany, too, the status of personnel management has risen. "Companies today see personnel problems as being as important as finance or production decisions", Herr Hans Friedrich of the German Society for Personnel Management, Düsseldorf, says. An important influence has been the increase in labour legislation, legislation on company structure and social policy, which has been the spur for this development.

This resort to legislation to help to improve labour relations is typical only for West Germany: in other European countries such matters are dealt with by negotiations between the parties concerned. As early as 1951 West Germany had its first law to introduce equal representation on the advisory board in the coal, iron and steel industries. Other legislation at this time put worker directors into top management in public and limited companies. In 1976 not-quite-equal representation was introduced for firms with more than two thousand employees.

As a result of all this there are 200 personnel managers sitting on boards. Herr Friedrich believes that

this figure will be more than doubled in the next few years. The other 3,000 personnel managers are directly below board level in their companies.

Together with the rise in status, the level of qualifications has also risen among personnel managers. Three quarters of managers and more than three fifths of personnel staff at managerial level have university degrees. At the middle and lower levels there are two schemes leading to the qualifications *Personalwirt* and *Personalwirtschaftskaufmann*.

The involvement of personnel in the economic and social problems faced by firms is going to increase further", Herr Friedrich predicts in this review of future developments. The status of personnel departments will go up in West Germany, and there will be a corresponding increase in the use of scientific results and methods in commercial personnel administration.

This advance of personnel management into the boardroom has begun to show in Italy recently, particularly among the bigger companies. A decisive factor there is not just the recognition by top management of the importance of personnel selection, but also the question of relations with unions. There is no worker representation on company boards in Italy.

In practice, union influence on employment and investment planning is no less pervasive there than in those countries where codetermination is formally required. The main channel for this influence in Italy is the annual wage negotiations which supplement the general wage agreements, usually three-year agreements, and make adjustments for local circumstances.

Frequently in those negotiations the decisive element is company policies in personnel matters; for that reason alone, the company representatives in the discussions have to be either directors themselves or close to board status. So far, naturally enough, only the bigger firms have drawn the logical conclusions, and those firms lay great emphasis on personnel questions. This trend towards upgrading the status of the personnel manager is becoming evident in middle-size firms as well, and that is reflected in the extent to which

his salary is catching up with top management.

Staff welfare has a long history in Britain: in 1913 the Institute of Industrial Welfare Work was founded, which shifted the emphasis from welfare work to personnel. In 1946 it was incorporated in its present name, the Institute of Personnel Management. Mr Bernard Dixon, of the Institute, told how the personnel department in the 1950s was responsible for employing, looking after wages and salaries, training and negotiations with unions. During the next decade conditions changed even more quickly for personnel managers. New attitudes and methods were needed.

Mr Dixon says: "The influence of government... became increasingly important, the difference between workers and staff disappeared with 'staff status' and interchangeability of jobs became more natural".

The trade unions' role also changed as the service industries expanded faster. In many industrial national wage negotiations were held at national level. Over the past 10 years, human relationships have become increasingly important. Mr Dixon noted that Britain is also showing the trend towards the personnel director, with his place at the top of the company hierarchy. That and other international effects—such as the rise in unemployment—are influencing the workings of the personnel department. According to Mr Dixon, "unemployment means that wages cannot be decided by market mechanisms anymore".

The unions have also been increasing their power, and have begun to penetrate the "white collar" sector. The institute has grown along with the rise in importance of personnel, and this is not only shown in the increase in membership, which has grown from only 3,000 in 1950 to 18,500 now. Mr Dixon cites two particular instances: "the institute has developed its own training scheme which more and more personnel staff are taking up, and the Government is consulting the institute on increasingly important questions relating to personnel management".

Erwin Schneider

### On the contrary

## Alimentary, my dear Watson

"My dear fellow", said Sherlock Holmes, as we sat on either side of the fire in his lodgings at Baker Street, "we face a most intriguing series of mysteries."

"What are they, Holmes?"

"Alimentary, my dear Watson. There is the mystery of the mayonnaise from nowhere—surplus butter with a herbal flavouring. There is the Russian butter enigma or, to be more precise, that of the European butter sold cheaply to Russia but reappearing in Italy. You are familiar, of course, with the great butter mountain scandal, and the unfathomable wine lake. But have you heard of the phantom grain ship?"

"Phantom?"

"A figurative expression. It plied between Rotterdam and Antwerp, collecting export subsidies on every trip."

"Have the miscreants been apprehended?"

"I fear not. The real culprit is still at large."

"Professor Moriarty?"

"No, Watson: the complexity of our farm regulations. And I fear that they will worsen."

Just then, Mrs Hudson entered. "Three gentlemen to see you, sir."

"From Greece, Portugal and Spain, I wager. As I said, Watson, our problems become more baffling every day."

Pangloss

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BY THE FINANCIAL EDITOR

## What is the NEB's philosophy?

Upsetters have already shown horror at the National Enterprise Board's successful rebidding of Trafalgar House to get control of Fairey's British assets. It is the NEB's first full-blown bid against a rival bidder from the private sector, and the vision of the NEB mobilizing its millions of taxpayers' money to take out a business already associated with an alternative solution is in fact this deal is not such a novelty. The NEB has already been involved in a bid with Guinness over White Child & Co., although admittedly it did not make the full counter offer; it has always been its *philosophy* to invest in profitable concerns as well as the lame ducks dropped in its lap by the Government. The exit price earnings of just under 9 is by no means a flagrant and the margin by which it has

been highly dependent on South Africa and up against increasingly stiff competition from much larger companies in Europe can —on these figures—both survive and grow.

This poses a problem for Johnson & French Brown whose 20 per cent holding must be burning a hole in its pocket having seen one bid, which would have given a handsome profit, pass out of the window. But Osborn shareholders may still need to be convinced that this level of profits is sustainable; the improvement, coming in such a short time, is quite remarkable. At 75p up 2p, the shares yield only 5.2 per cent, which even on this performance, still provides scope for speculative possibilities.

**The Bank of England** may have it within its power, for a short period at least, to influence domestic interest rates, but the Eurosterling market, a highly sensitive indicator of what foreigners holding sterling think of developments in the United Kingdom, is another matter. During the past few days the market has been showing in no uncertain fashion how dubious it is about the Bank's interest rate tactics and yesterday Fisons was obliged to raise the coupon on its sterling Eurobond issue from 10½ per cent and it looked very much as though Courtaulds might have to do something similar with its 9½ per cent issue.

It is an inauspicious start for a market that has been full of promise during the past few weeks for both issuers and investors. Selling was developing last Wednesday and by Friday the market was in full retreat. The Finance for Industry issue, priced on Friday, was particularly hard hit, reaching 96½ last night compared to an issue of 99½ where it yields 10½ per cent.

The first point to make is that investors evidently believe that, in spite of the Bank's restraining action, interest rates here are headed upwards. The second, and potentially more important point is that the rapidity of the setback and the evident willingness of investors to get out at the first sign of trouble, raises real question marks over the underlying strength of investment demand for sterling Eurobond issues.

### Harrison & Crosfield

#### A challenge in plantations

Having already beaten off one attack this year on part of its empire—then it was Golden Hope which was under attack—Harrison & Crosfield is now facing another threat. This time it is by way of a bid for Malayalam Plantations from McLeod Russell.

McLeod, which already owns or has options on 29.9 per cent of Malayalam, is bidding 23p a share, valuing the entire company at £6.25m. With H & C and associates controlling 23.64 per cent and Malayalam (whose chairman, Mr Frederick Harper, is on the H & C board) rejecting the bid, the City scented an eventually increased offer and the shares rose 2p to 24½p.

Malayalam's situation is complicated as it prepares for Indianisation since it is a hybrid company spanning both tea and rubber plantations.

In the absence of a defence document, Malayalam shareholders are going to have a difficult task of trying to assess the bid since the remittance of dividends from India is irregular in both size and timing, while the valuation of assets is not easy.

Malayalam is important to H & C since it controls some 2.8 per cent of Harrison's Malaysian Estates. Two other companies held on similar minority holdings—London and Sunatra and Harcros—bring the holding up to around 10 per cent. If all three companies were taken out of the H & C camp it would make an awkward dent in H & C's control of HME which has still yet to reach full agreement with the Malaysian authorities on changing domicile.

During four months of abortive talks that followed McLeod's acquisition of the Malayalam stake, the possibility of selling the HME stake back to H & C was raised although McLeod appears to have been holding out for a higher value than the then stock market value. However, that did not get very far since H & C was unwilling to see Malayalam out of its grasp in the first place.

The bid does appear to have exposed a damaging gap in the minority cross holdings in the H & C empire.

## Business Diary: Novel villainy • Scrooge in Brussels?

Samuel Osborn's full results why the group failed to reach agreement on terms for a take-over from the Sir Group. Osborn was expected to make out £2.4m profit, but the actual instead the published return is £3.4m, and its calculations were almost certainly ed on the lower figure.

Nearly all the Osborn gain has come from steel activities, which, by rights, and in comparison with every other steel company, could have been having to pull all the strings out even to stand still. In the event profits have risen from £273,000 to £3m, so that the profits in the second-half were more than £1m.

The explanation apparently is that the steel plant, which the group moved some five years ago, has at last paid off in terms of productivity, with higher volume and lower unit costs bringing big benefits.

Thus a company which looked hard

ssed to survive as an independent unit

has a brother, distiller, John Whithbread, who died recently. Edward Freege, the hero of Beryl Bainbridge's much-acclaimed novel, *Time, should be an instant*.

Bainbridge, who ester-won the £1,500 Whithbread prize for fiction, may not know some time whether she can get the money—can a pools her—or whether Sir William, chairman of the Board of Revenue, will take much from her.

Sir William—and I should

be a former under-secretary at the Department of Education and Science—was having success in getting away hundreds of millions of pounds through artificial tax avoidance schemes for companies and rich individuals.

Revenue men are, however, trying to recoup a little self-

ish, if far less cash, by being in the book for some

minely productive people—such as

the late Sir Edward Frege, the hero of Beryl Bainbridge's much-acclaimed novel, *Time, should be an instant*.

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## COURT CIRCULAR

### KENSINGTON PALACE

December 5: The Duke of Gloucester was present at a Reception given by The Royal Warrant Holders Association at Goldsmith's Hall this evening.

Lieutenant-Colonel Simon Bland was in attendance.

### VORK HOUSE

December 5: The Duke of Kent, Grand Master of the United Grand Lodge of England, this evening attended a meeting of the Philatropic Lodge at King's Lynn.

Lieutenant-Colonel Richard Mackley, RN, was in attendance.

The Duchess of Kent, president of the Royal Smithfield Club, this afternoon visited the Royal Smithfield Show at Earls Court.

Mrs Alan Henderson was in attendance.

The Prince of Wales will attend a carol concert at the Albert Hall, in aid of the Malcolm Sargent Cancer Fund for Children, on December 21.

### Luncheons

#### League of Jewish Women

The Lady Mayoress was present at a buffet luncheon given by the International Council of Jewish Women Committee at St Bartholomew's Hospital yesterday, in celebration of the Queen's jubilee year, before the annual Human Rights Day meeting. Mrs R. Winston-Fox, British vice-president, International Council of Jewish Women, chairman at the meeting and the other speakers on the subject "Human rights past, present, and future" were Mrs D. Gainsford, chairman of the 35s Group, Dr T. Gordon, Mr C. Jacobs and Mr M. Savitt (Board of Deputies of British Jews) and Mr N. McIntosh (Director of

Mrs R. Gravson, Professor Gravson QC, and Mrs Green, gave a dinner in honour of Italy at Gray's Inn last night. The Italian Ambassador and Signora Ducci, Lord and Lady Edmund-Davies, Lord Justice Megaw and Dame Mary Green were the guests.

Mr F. Hallis' Chambers

Lord Denning, Master of the Rolls, was guest at a dinner at the Cafe Royal last night given by Sir Nigel Strut.

**Dinners**

HM Government  
Mrs Judith Hart, Minister for Overseas Development, was the host of a dinner held in honour of delegates attending an international seminar on population and development problems, at Lancaster House yesterday. The guests included:

### Birthdays today

Mr Jack Asliss, MP, 55; Mr F. L. Chapman, 72; Sir Alexander Swindon, 61; Dr James H. Griffiths, 69; Sir Denis Hamilton, 59; Sir William Keswick, 74; the Right Rev E. A. J. Mercer, 60; Professor Sir St George Porter, 57; the Right Rev Anthony Reeves, 75; Mr G. Washbrook, 63.

### Marriage

Major P. Bell and Miss N. Howard-Baker

The marriage took place at St Swithun's Llanfelin, Clwyd, on Saturday, December 3, between Major Patrick Bell and Miss Nicola Howard-Baker. The bride, who was given away by her father, attended by Miss Katherine Bell and Grania Wills, Major Tom Wills was best man. A reception was held at the home of the bride, and the honeymoon is being spent abroad.

### Latest wills

Edith Bethel Cooper-Dean, of Beaconsfield, farmer, left £1,432,272 net.

Other estates include (net, before tax; tax not disclosed): Brooks, Mr Frederick Yorke, of Edgborough, property consultant £269,399

Charter-Higgs, Mrs Florence Windred of Herne Bay, £1,374,572. Davies, Mrs Coralia Clara, of Frinton-on-Sea, £187,776

Eyres, Mr Paul Reginald Beeson, of Ulverston, £142,479

Moody, Mr Robert Normont, of Newcastle upon Tyne, survivor £19,599

£19,599

£100,000 winner

The £100,000 Premium Savings Bond prize in the December draw, announced yesterday was won by SVF 506422. The winner lives in the London borough of Waltham Forest. The £25,000 prize was won by SVF 506423. The winner lives in South Yorkshire.

### RAF rescue crew to get awards

Three members of a rescue helicopter crew from RAF Valley, Anglesey, have received awards for saving a woman from a yacht lost in a gale.

Flight Sergeant Alan Gatrell, aged 23, will receive the Air Force Cross and Flying Officer John Stirling, aged 35, and Christopher Gibbons, aged 29, Queen's Commendations.

### Resignations and retirements

The Rev A. J. Fletcher, Recter of Chelmsford, Essex, has accepted his appointment as Vicar of St Paul's, Manchester, to be Vicar of St Paul's, Liverpool.

Canon P. E. McFall, Team Rector of the Royal Naval Ministry, to be Vicar of Bournemouth with Ilchester.

**Diocese of Exeter**

The Rev J. W. G. Godde, Rector of Zeal Monachorum, Budeleigh and Woolacombe, Devon, and Vicar of Dartmouth, has been appointed to the Rector of St Peter's Church, Bideford, and Bishop of Barnstaple youth director.

The Rev P. J. McGee, Vicar of Exminster, will be in charge of the new Diocese of Horsham with Ringers at St Mary and Arlington.

**Diocese of Coventry**

The Rev A. J. V. Dow, curate of Chelmsford, Essex, has accepted his appointment as Vicar of St Paul's, Liverpool.

Canon P. E. McFall, Team Rector of the Royal Naval Ministry, to be Vicar of Bournemouth with Ilchester.

**Church news**

The Rev M. T. E. Heaney, Vicar of St Paul's, Liverpool, has accepted his appointment as Vicar of Manchester, to be Vicar of St Paul's, Liverpool.

Canon P. E. McFall, Team Rector of the Royal Naval Ministry, to be Vicar of Bournemouth with Ilchester.

**Diocese of Wales**

The Rev A. J. Adams, Vicar of Bala, has accepted his appointment as Vicar of St David's, Lampeter, to be Vicar of Newport Cathedral, diocese of Monmouth.

Canon P. E. McFall, Team Rector of St David's, Lampeter, to be Vicar of Bala, and Bishop of Swansea youth director.

The Rev G. W. H. Jones, Vicar of Gwynedd, has accepted his appointment as Vicar of Bangor, to be Rector of the rectory of St Peter's, Holyhead, with Rhosneigr, and Canon P. E. McFall, Team Rector of St David's, Lampeter, to be Vicar of Bangor, on Dec 31.

**Today's engagements**

The Queen holds an investiture. The Duke of Edinburgh, as president, presents National Playing Fields Association President's Certificate for 1977, Bucking-

ham Park, 10 am, at the National Playing Fields and Pontypool Jew's Home for Aged, Wembly, 2.45; as president of National Federation of Housing Associations, visits North Kensington and area, 1.45; as president of trustees, gives an acceptance for Friends of Duke of Edinburgh's Award, Buckingham Palace, 6.

Princess Margaret dines with Benchers of Lincoln's Inn, 7.15.

The Duke of Gloucester, as president, visits Royal Smethfield Show, Elles Court, 11.

Prince Charles visits Longcroft, Lancashire, on tenth anniversary of the home, sponsored by Langley House Trust, 11.30; as Chancellor of Lancaster University, presides at congregation for conferral of higher degrees, 1.

**Latest appointments**

Latest appointments include:

Air Marshal Sir Alfred Ball to be Deputy Commander-in-Chief, RAF Strike Command, from December 8, in succession to Air Marshal Sir Denis Hamilton.

Major General Sir Michael Head, Director of International Military Staff at Nato Headquarters in Brussels on January 1. Air Vice-Marshal John Gingeill will become Air Member for Personnel with Air Vice-Marshal Sir Michael Head.

Major General Sir Michael Head, Director of International Military Services (RAF) on February 28, with the acting rank of air marshal, in succession to Air Marshal Sir Geoffrey Deneum, who is retiring.

Mr Thomas Robson, of the Independent Broadcasting Authority, to be director of engineering in succession to Mr Howard Steele.

Mr Nicholas Freeman, a barrister, has been elected to the Royal and Chelsea Borough Council in succession to Sir Malby Crofton.

Mr D. P. Harrison to be a member of the Local Government Boundary Commission.

**CYCLONE DISASTER IN INDIA**

### 2 million homeless

### 50,000 believed killed

### Entire villages swept away

Thousands of the injured and homeless are inevitably old people, least able to help themselves.

The plight of victims worsens, for homes, food and crops have been destroyed by the catastrophe. Many are weak from injury, exposure and hunger.

We must get more help to them swiftly. The fastest way is to get funds to experienced relief workers on the spot. (£16,000 already sent by Help the Aged together with urgent supplies of blankets and clothing by air.)

They desperately need food, medical aid and shelter. Hours count for those who suffer. Please send your generous donation quickly; it will be used in full for the needy.

Please send to:

The Hon. Treasurer,

The Rt. Hon. Lord Maybray-King,

Help the Aged,

Room 17,

FREEPPOST 30,

London W1E 7JZ (no stamp needed)

### Forthcoming marriages

Lord Elphinstone and Miss W. Chetwode  
The engagement is announced between James, son of the late Rev the Hon Andrew Elphinstone and of the Hon Mrs Andrew Elphinstone, and Willa, daughter of Major David and Lady Willa Chetwode.

Mr E. G. Barnes and Miss A. M. Hitchin  
The engagement is announced between Ricardo George Barnes, 39 Birchwood Avenue, Wallington, Surrey, only son of the late Mr Arthur Barnes and of Mrs Barnes, and Alison Mackie, eldest daughter of Mr and Mrs Lionel Hitchin, Alton, 49 The Highway, Sutton, Surrey.

Mr R. A. Bush and Miss C. A. O'Malley  
The engagement is announced between Richard Ashley Bush, of Blackheath, London, and Carolyn, daughter of Mr and Mrs D. O'Malley, of St Ives, Sydenham, Sutton, Surrey.

Mr J. E. Foster and Miss S. A. M. da Cunha  
The engagement is announced between Jonathan, son of Mr Donald Foster and Mrs Hilda Eaton, of Bowdon, Cheshire, and Sarah, daughter of Mr F. A. L. da Cunha and the late Mrs da Cunha, also of Bowdon.

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# THE TIMES BUSINESS NEWS

## £20.5m offer by NEB beats Trafalgar House move to buy Fairey companies

Bryan Appleyard  
In a move described as "outrageous" by Mr Victor Warwick, deputy chairman of Trafalgar House, the National Enterprise Board has successfully lopped his company's offer for the non-airline business of the Fairey Group.

The £20.5m NEB offer for 11 of the 14 companies in Fairey is accepted by its Receiver, Mr Charles Hardie, last night after Trafalgar had offered £18m for the 10 profitable companies or £16m for the sole group.

Mr Matthews responded by saying that Trafalgar had been "silly".

"I think it is outrageous. We are a strong commercial group and it is not the NEB's job to intervene in this kind of nation."

He added that he believed the original price had been at the end of the range and reflected the company's belief that Fairey would have fitted in well with Trafalgar.

The NEB offer, which represents a premium over net asset value, is for all Fairey's United Kingdom operating companies (including British-Norman, Fairey-Stainless and Fairey Electronics).

Sir Charles said the companies being purchased made

pre-tax profits of £4.8m last year and should make about the same in the current year.

The directors of Fairey have three months to submit a statement of affairs but the provisional statement shows liabilities of £28m plus interest.

Preferred creditors, secured

claims and bank loans guaranteed by the companies being sold come to £21m and unsecured claims to £16m. There will be a substantial unsecured capital gain tax liability.

Investment in the Belgian subsidiary and Britten-Norman together with advances totals £16m and loans to the Belgian company guaranteed by the Fairey company come to £41m plus interest.

Sir Charles said the final outcome for unsecured creditors and remortgaged shareholders would substantially depend on the dividend from the liquidation of the Belgian company.

He added that the NEB had been asked to look at Fairey before the receiver had been called in and had been generally involved for much longer than Trafalgar.

The companies being acquired add 3,500 employees to the NEB payroll, half of them at Fairey Engineering at Stockport.

Financial Editor, page 19

## EEC summit heads hold out little hope of early drop in jobless total

Tom Michael Hornsby

A gloomy picture of the economic prospects for Europe in the years immediately ahead emerged at the opening here today of a two-day meeting of EEC heads of government. Little hope was held out by any those present of an early turn to growth or a reduction in unemployment.

Giving a warning against king too sombre a view, President Giscard d'Estaing of France said that the unprecedentedly high level of joblessness "was a black spot".

It was clear that the Nine could have to live with lower growth for several years.

In an apparent reference to the American suggestion that the Nine should play a more vigorous "locative" role in stimulating world economic activity, Herr Schmidt, the German Chancellor, gave a warning against moves advanced for opportunistic reasons.

There were no easy answers to the problems of recession, inflation and high unemployment, and the creation of European currencies.

For Britain, Mr Callaghan said that he welcomed the Commission's attempt to rethink the whole concept of economic and monetary union, and promised that his Government would participate constructively. But he had yet to be convinced that the new approach had any advantages.

In separate discussions, a related Commission proposal for raising a £650m loan on the international capital market to finance new job creating investment, Herr Schmidt indicated that Germany's attitude would depend in part on the settlement of the dispute over the size of next year's regional fund.

The commission has proposed allocating £485m next year to the fund, which is designed to bring about a transfer of wealth from the richer to the poorer regions of the community.

The Germans have said that they think the French are pressing for a bigger share

in a greater cohesion between European currencies.

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## Higher pay burden on industrial costs

Continued from page 1  
appears to have been an important contributory factor.

Prices in the vehicle sector are rising in the summer months three times faster than in the last three months. In the car sector, lower coffee prices are becoming an important factor.

For the first time one of the key indicators of prices is the cost of industry's raw materials and fuels. These have now been falling for several months. In November, they fell by a further 1 per cent, helped by the depreciation of sterling on the foreign exchange markets.

In addition a fall in the price of crude oil has helped, together with a general decline in the commodities on the world markets. The result is that the official index of raw material and fuel prices stands about 1 percentage point below that of October 1976.

This means that the only real pressure on industry's costs is coming from higher wages, these have also been restrained and, as a result the increase in total prices is bound to continue to decelerate in the first half of next year, almost regardless of what happens to wages and other costs from now.

The following are the indices (1970 = 100) of wholesale prices of manufactured goods and the basic materials and fuel purchased by manufacturing industry released by the Department of Industry yesterday. The figures exclude purchase tax but include revenue duties.

Output Prices at present & % change at annual rate

(1) (2) (3)

Oct 220.0 227.7 18.3 31.0

Nov 234.6 331.8 18.3 29.2

Dec 237.2 330.2 19.5 21.5

1977

Jan 244.9 337.8 24.1 25.1

Feb 248.2 339.5 23.4 25.7

Mar 252.4 340.2 22.5 22.0

April 255.4 340.7 22.3 13.9

May 259.8 348.3 22.5 10.1

June 262.5 350.2 22.5 4.2

July 265.6 344.5 17.8 -5.4

Aug 268.1 338.8 16.7 -5.4

Sept 269.7 338.1 15.2 -5.2

Oct 271.0 330.3 14.7 -10.8

Nov 271.9 330.3 8.5 -10.8

r revised  
p provisional

The evidence is that so far many groups of workers are waiting to see what each other intend to do. This could work to the Government's advantage if, by the time they come to settle, it could demonstrate the success of its anti-inflation policies.

Settlements held up, page 18

The Times index : 202.63 +0.28

The FT index : 486.3 -0.4

## How the markets moved

Rises

Anglo Am Corp 11p to 277p  
Sun Bros 5p to 70p  
Libby 1p to 70p  
Je Beers Dd 8p to 303p  
Lightnings 4p to 44p  
Airtex 2p to 33p

Falls

Ass Dairies 8p to 248p  
BP 10p to 150p  
Diploma Inv 7p to 31p  
Duraplate 4p to 117p  
Elliott R. 8p to 95p  
Int Paint 3p to 50p  
Ldn & O'sca Fr 5p to 36p

Equities were subdivided.  
Gilt-edged securities held early gains.

Dollar premium : 97.25 per cent (effective rate 37.31 per cent). Sterling gained one cent to \$1.8505. The effective exchange rate index was at 63.5.

Reports, pages 21 and 23

Milbury 10p to 74p  
Most Eng 7p to 60p  
Roddings Nat 8p to 200p  
Richards & Wall 4p to 71p  
Senstrat 8p to 120p  
Spooner Ind 5p to 53p  
Toye 2p to 31p

Oxley Printing 2p to 47p  
Pefaria Tim 5p to 215p  
Rotaprint 2p to 42p  
Sectra Trt 4p to 100p  
Scapa Esc 8p to 100p  
Vickers 6p to 181p  
Whitecroft 10p to 176p

Gold gained \$1 an ounce to \$139.625.

SDR-S was 1.19100 on Monday, while SDR-E was 0.550322.

Commodities : Reuter's index was at 1435.5 (previous 1495.5).

Reports, pages 21 and 23

THE POUND

Bank buys

Bank sells

Australia \$ 1.66 1.61

Austria Sch 30.05 28.25

Belgium Fr 65.55 62.75

Canada \$ 2.07 2.02

Denmark Kr 11.48 11.08

Finland Mark 7.90 7.65

France Fr 9.09 8.77

Germany Dm 4.20 3.98

Greece Dr 77.75 74.71

Hongkong \$ 8.88 8.35

Italy L 1,620.00 1,570.00

Iran Yr 465.00 440.00

Netherlands Gld 4.52 4.30

Norway Kr 10.04 9.68

Portugal Esc 77.75 73.50

S Africa Rd 1.87 1.75

Spain Pes 157.25 151.25

Sweden Kr 9.02 8.67

Switzerland Fr 4.07 3.85

US \$ 1.57 1.52

Yugoslavia Dkr 38.50 36.00

Rates for small denominations bank notes only. International Ltd. Different rates apply to travellers' cheques and other foreign currency business.

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Appointments vacant

Commodities Wall Street

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Computer Analysis

Peterson Zochonis (UK)

Rutenberg Platinum Mines

Interior statement

Matthew Hall

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## Triumph output worth £33m lost in manning and work levels dispute

By R. W. Shakespeare

A strike by Triumph car workers at British Leyland's Merseyside plant entered its fifth week yesterday after weeks' talks between senior management, national union officials, and shop stewards had failed to break the deadlock in a dispute over manning arrangements and production levels.

Labour troubles at the Speke, Liverpool, plant and consequent effects on output at the Triumph plant at Canley, Coventry, have cost Leyland lost production in cars worth about £33m over the past 10 weeks, and for the past three weeks all output of both the TR7 and Dolomite models has been at a standstill.

At the Merseyside plant 2,000 workers are on strike and another 1,500 laid off, while at

Canley, which relies on supplies of car bodies from Liverpool, another 2,000 men are laid off from the Dolomite assembly lines.

The TR7, normally one of Leyland's top selling export models, has been the main victim of the latest shopfloor unrest. Output of about 10,000 cars with a showroom value of around £3,000 each has been lost over the past 10 weeks.

The trouble centres on management plans based on studies by industrial engineers to introduce new manning scales and work levels. Shop stewards claim that the company has broken a local agreement by taking a unilateral decision to implement these new arrangements.

However, the company maintains that the decision to go ahead with the plans was taken

only after national negotiating procedures had been followed when it became clear that no progress towards agreement could be made at plant level.

Four weeks ago the 2,000 workers on the TR7 assembly operations walked out and this led to the progressive lay-off of 1,500 other workers in the body pressing departments.

Last night a Leyland spokesman said: "The Dolomite assembly has had to be stopped for the past three weeks because although we could make the bodies at Liverpool, we would not be able to get them out of the factory because transport drivers and maintenance men are on strike."

The latest talks between union officials, management and shop stewards have left us in precisely the same deadlock situation."

## BP to spend £32m on energy conservation

By Edward Townsend

British Petroleum is planning to spend £32m over the next four years on energy conservation at the group's oil refineries which, it was predicted last night, could result in annual savings to the company of nearly £33m.

Sir David Steel, chairman of BP, speaking in London to members of the Insurance Institute, said that in addition, BP chemicals was planning to spend £25m on 40 projects aimed at producing further substantial savings.

BP had saved about 7 per cent of its energy expenditure on manufacturing last year compared with 1973, and had set itself a target of a 15 per cent saving by 1980.

Sir David, who described energy conservation as "insurance for the future", said that conservation must mean more than "Save It" campaigns or merely good housekeeping.

"The Department of Energy's renewed campaign to promote energy saving in the United Kingdom marks a growing national awareness that conser-



Sir David Steel: "Insurance for the future."

vation and more efficient use of energy resources is an urgent priority.

Sir David said he did not believe the United Kingdom's resources of oil, coal and gas would keep the country self-sufficient much beyond 1990, unless we used energy more efficiently and brought in new sources, including nuclear power and what we could economically harness from the sun, wind and waves.

## China may order more from UK

By Our Commercial Editor

New orders from China for British industry were forecast yesterday by Mr Li Chiang, Chinese Minister of Foreign Trade, as he and his trade delegation wound up a two-week visit to the United Kingdom and left for a French tour.

Mr Li particularly mentioned the Harrier jump-jet aircraft "It is a good aircraft," in which the Chinese have previously expressed buying interest.

The Chinese are also still interested in Concorde, on which at one time they had buying options for three.

"We will observe Concorde for a few more years and decide on the result of its performance on the scheduled routes," Mr Li said.

He said he had sent briefings on what technology and equipment his country would need from Britain in the future; the priorities being basic industry, energy, electrical power and metallurgy.

Discussions on detailed buying would come later, he added.

## American tax cuts of \$115,000m forecast

Washington, Dec 5.—The United States will have to build our tax cuts of up to \$115,000m (about £62.152m) a year to sustain the economic recovery and lower unemployment over the next five years, the Congressional Budget Office said today.

The report gave indirect, but strong support, to President Carter's expected call for sub-

stantial tax cuts next year.

The independent Congressional agency said a five-year budget deficit of tax cuts of £115,000m and a gradual reduction of unemployment from 5.9 per cent now to 4.5 per cent.

It said that budget income will rise faster than outlays, taking money out of the economy and thus impeding

the expected drag on the expected "fiscal drag".

As far as it is possible to tell only about 40 per cent of those who should have settled by this time in the bargaining year, have done so," it said.

achievement of national economic goals, which include a growth of the real gross national product of about 4.8 per cent a year and a gradual reduction of unemployment from 5.9 per cent now to 4.5 per cent.

By the 1983 financial year, the agency said, a tax cut of \$115,000m a year would be needed to offset expected drag on the expected "fiscal drag".

## Pay claims wait for settlement by key sectors

Settlements totalling 548, covering almost 1.5m employees and representing 6 per cent of the working population, had been received by the Confederation of British Industry's data bank, at the close of the 18th week, since the end of Phase Two.

Of these 84 per cent had been reached at, or around, 10 per cent. About three out of five had been at 10 per cent, and another 22 per cent had been below that figure. Most of the 15 per cent had been made at less than 15 per cent.

It said that claims, which continued to be very high, covered almost 23 per cent of the working population.

The influence of Stage Two was continuing to decline.

Evidence suggested that many bargaining groups were holding back until certain key sectors had negotiated, said the CBI last night.

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## Further fall in amount of new hire purchase finance during October

### RETAIL SALES

The following are the seasonally adjusted figures for the volume of retail sales and value of new instalment credit released by the Department of Industry.

Sales volume 1970-1974	Percentage change based on previous month		
	3 months ago	previous 3 months at annual rate	New credit end of month
Oct 1974	+ 3.8	310	
Nov 1974	+ 1.5	332	
Dec 1974	- 1.5	331	
1975			
Jan 1975	- 2.1	324	
Feb 1975	- 6.6	322	
March 1975	- 11.8	351	
April 1975	- 14.0	349	
May 1975	- 12.7	358	
June 1975	- 4.1	350	
July 1975	- 4.3	353	
Aug 1975	+ 10.9	417	
Sept 1975	+ 11.8	402	
Oct 1975	+ 5.0	398	

of only 5 per cent in their credit sales in the three months to October, while for department stores the figure is 17 per cent and for other retailers 15 per cent.

Retail sales figures for October have been revised downwards slightly from their provisional assessment, with the index standing at 105.4 instead of the 106 originally assessed.

These words appear to mean that a director is not necessarily required to exercise the skill and care which is needed for the performance of his job. If so, the standard required of a director is much lower than that required for other jobs. A surgeon who botches his first operation or a newly qualified HGV driver who crashes his lorry cannot plead his own inexperience as a defence to an action for damages, but a director in a comparable situation could do so.

At a time when business management is increasingly regarded as an important profession, this can only be regarded as unsatisfactory. To quote from a memorandum recently submitted to the Department of Trade by the Company Law Committee of "Justice": "it is clearly desirable that all directors, whether executive or non-executive, should be expressly made liable for negligence if they fail to exercise the degree of skill and care which is reasonably required for the proper performance of the tasks which they are called upon to carry out."

But, according to paragraph 4 of the White Paper, the Government does not propose

## LETTERS TO THE EDITOR

### 'Unsatisfactory' requirements over directors' standards

From Mr W. Goodhart

Sir, Many aspects of the White Paper, "The Conduct of Company Directors," deserve warm support. For example, the prohibition of insider dealing—proposed in 1972 by "Justice"—in a report prepared by the Company Law Committee (of which I am chairman)—is most welcome, and it is to be hoped that these proposals will at least reach the statute book. The White Paper, however, contains one proposal which is at first sight innocuous but is in fact profoundly unsatisfactory.

I refer to paragraph 4 of the White Paper, which deals with the standard of skill and care required of a director. It is commonly assumed that this standard was authoritatively stated by Mr Justice Romer in 1924 in re City Equitable Fire Insurance Co, where he said that "a director need not exhibit the performance of his duties to the standard of skill and care required of a director. It is

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BY THE FINANCIAL EDITOR

## What is the NEB's philosophy?

Investigators have already shown horror at the National Enterprise Board's successful ousting of Trafalgar House to get control of Fairley's British assets. It is the NEB's first full-blown bid against a rival bidder from the private sector, and the vision of the NEB mobilising its millions of taxpayers' money to take over a business already presented with an alternative solution is one calculated to stimulate outrage in the private sector.

In fact this deal is not such a novelty. The NEB has already been involved in a bid battle with Guinness over White Child & Bent, although admittedly it did not make a full counter offer; it has always been its philosophy to invest in profitable concerns as well as the lame ducks dropped in its lap by the Government. The exit price earnings ratio of just under 9 is by no means profligate and the margin by which it has

### NEB's other investments

Companies	% Held	Cost £'000
Data Recording	57%	3,137
Ferranti	50.0	
Herbert	100.0*	
Sinclair Radionics	100.0	26,198
British Tarners Products	100.0*	650
Cambridge Instruments	50.0	1,200
Computer Analysts and Programmers	46.3	1,770
ICL	100.0*	550
Pitney	24.4	12,083
Systems Twinkop	20.4	87
Brown Boveri Kent	100.0*	400
Francis Shaw	33.3	504
Preference shares	17.8	987
Main investments, excluding British Leyland and Rolls-Royce	100.0	1,880
Non-voting	54.6	

outbid Trafalgar is not excessive; and pre-tax profits of £4.8m from companies acquired for £20.5m comply with the 15-20 per cent return on capital criterion just outlined for the NEB by Mr Varley, the Industry Secretary.

But the bid does raise again the more fundamental question of whether the NEB has a coherent investment philosophy or whether its spending is wholly piecemeal. It is not clear what "industrial logic" lies behind this latest addition to the NEB's portfolio, a point which is bound to lend weight to those who argue that its main objective at the moment is simply to commit its money as quickly as it can so that its unscrambling by an unsympathetic Conservative government at some future date is made that much more difficult.

The other, more practical question is whether it is possible for any investing institution to make significant new equity investments successfully at the pace of the NEB. So far it seems to be going well (excepting, of course, its lame ducks) but such has been the speed of investment that there are bound to be doubts about how comprehensively the NEB can monitor its existing commitments, let alone get involved in new ones.

Samuel Osborn

### Why Weir went away

It is easy to see from Samuel Osborn's full year results why the group failed to reach agreement on terms for a take-over from the Weir Group. Osborn was expected to make about £2.4m profit, but the actual instead of the published outturn is £3.4m, and Weir's calculations were almost certainly based on the lower figure.

Nearly all the Osborn gain has come from the steel activities, which, by rights and in comparison with every other steel company, should have been having to pull all the stops out even to stand still. In the event trading profits have risen from £273,000 to £1.53m, so that the profits in the second-half alone were more than 51%.

The explanation apparently is that the Ectiesfield plant, which the group moved into some five years ago, has at last paid off in terms of productivity, with higher volume and lower unit costs bringing big benefits.

Thus a company which looked hard pressed to survive as an independent unit

being highly dependent on South Africa and up against increasingly stiff competition from much larger companies in Europe, can — on these figures — both survive and grow.

This poses a problem for Johnson & Firth Brown whose 20 per cent holding must be burning a hole in its pocket. Having seen one bid, which would have given a handsome profit, pass out of the window. But Osborn shareholders may still need to be convinced that this level of profits is sustainable — the improvement, coming in such a short time, is quite remarkable. At 75p up 2p, the shares yield only 5.2 per cent, which even on this performance, still provides scope for speculative possibilities.

• *The Bank of England may have it within its power, for a short period at least, to influence domestic interest rates, but the Eurosterling market, a highly sensitive indicator of what foreigners holding sterling think of developments in the United Kingdom, is another matter. During the past few days the market has been showing in no uncertain fashion how dubious it is about the Bank's interest rate tactics, and yesterday Fisons was obliged to raise the coupon on its sterling Eurobond issue from 10 to 10½ per cent and it looked very much as though Courtaulds might have to do something similar with its 9½ per cent issue.*

*It is an inauspicious start for a market that has been full of promise during the past few weeks for both issuers and investors. Selling was developing last Wednesday and by Friday the market was in full retreat. The Finance for Industry issue, priced on Friday, was particularly hard hit, reaching 96½ last night compared to an issue of 99½ where it yields 10 per cent.*

*The first point to make is that investors evidently believe that, in spite of the Bank's restraining action, interest rates here are headed upwards. The second, and potentially more important point is that the rapidity of the setback and the evident willingness of investors to get out at the first sign of trouble, raises real question marks over the underlying strength of investment demand for sterling Eurobond issues.*

Harrison & Crosfield

### A challenge in plantations

Having already beaten off one attack this year on part of its empire — then it was Golden Hope which was under attack — Harrison & Crosfield is now facing another threat. This time it is by way of a bid for Malayalam Plantations from McLeod Russell.

McLeod, which already owns or has options on 29.99 per cent of Malayalam, is bidding 23p a share, valuing the entire company at £6.25m. With H & C and associates controlling 23.64 per cent, and Malayalam (whose chairman, Mr Frederick Harper, is on the H & C board) rejecting the bid, the City scented an eventually increased offer. And the shares rose 2p to 24p.

Malayalam's situation is complicated as it prepares for Indianization since it is a hybrid company spanning both tea and rubber plantations.

In the absence of a defence document, Malayalam shareholders are going to have a difficult task of trying to assess the bid since the remittance of dividends from India is irregular in both size and timing, while the valuation of assets is not easy.

Malayalam is important to H & C since it controls some 2.8 per cent of Harrison's Malaysian Estates. Two other companies held on similar minority holdings — London and Sumatra and Harcos — bring the holding up to around 10 per cent. If all three companies were taken out of the H & C camp it would make an awkward dent in H & C's control of HME which has still yet to reach full agreement with the Malaysian authorities on changing domicile.

During four months of abortive talks that followed McLeod's acquisition of the Malayalam stake, the possibility of selling the HME stake back to H & C was raised although McLeod appears to have been holding out for a higher value than the then stock market value. However, that did not get very far since H & C was unwilling to see Malayalam out of its grasp in the first place.

The bid does appear to have exposed a damaging gap in the minority cross holdings in the H & C empire.

## Business Diary: Novel villainy • Scrooge in Brussels?

Rose Davies, Business Diary's editor, went to yesterday's Whitbread Literary Awards in London.

It's ironic that Edward Freemann, the hero of Beryl Bainbridge's much-acclaimed novel, *Injustitia*, should be an accountant.

Mrs Bainbridge, who yesterday won the £1,500 Whitbread prize for fiction, may not know for some time whether she can keep the money — as can a pool winner — or whether Sir William Pile, chairman of the Board of Inland Revenue, will take much of it from her.

Sir William — and I should have thought a former under-secretary at the Department of Education and Science would have known better — is having little success in stopping accountants from getting away with hundreds of millions of pounds through artificial tax avoidance schemes for companies and for rich individuals.

The accountants are, however, seeking to recoup a little self-esteem if, for less cash, by putting up the bog for some sensible productive people to work on.

As my brother diaryist Andrew Holden, critic of The Sunday Times, recently pointed out, the Inland Revenue are making a test case of a former Whitbread winner, Andrew Bower. They want a cut of his 1974 prize for *Poor, Dear Bower*, appropriately enough the biography of the founder of the *Financial Times*, Brendan Briscoe.

Mark Knopfler, received as chairman of London yesterday, as did Sir Ian McDonald for her children's book *No End to Yesterday* and Julian Nicolson for his father, Nigel, for his biography, *Very Curious*.

The move will cost the Com-

The cheques were presented by the chairman of Whitbread, Alex Bennett, who declared that he had read most of the books, but his wife had.

I ask Miss Bainbridge why she had made her hero an accountant, a member of a profession not markedly attractive to practitioners of fiction. "To disguise who I was writing about," she said. "I never write fiction, you see."

The EEC Commission, ever eager to prove that the common agricultural policy is a flexible and accommodating instrument, has tried to turn complaints about the butter "mountain" on their heads.

It has replied to those who demand that surpluses should be sold cheaply to consumers inside the EEC, instead of to outsiders like the Russians, by subsidizing a drastic price cut.

It has answered those who condemn its plan to make margarine as dear as butter by making butter as cheap as margarine.

The result is "Christmas butter", a chunk of 72,000 tonnes from the Community's ever-enlarging surplus, which shoppers all over Europe — with one important exception — can buy until the middle of January.

A regulation which says that the words "Christmas butter" must be stamped on every packet is now in operation and causing alarm throughout the industry.

Business Diary also spoke to W. Kornacki, of Polish radio and television in London, who confirmed that he had reported the communiqué issued after the official signing of the contract in London. He told his Polish audience that the orders would help to solve some of the unemployment problems in

community budget 52 million units of account, or more than £30m.

The only snag is that Britain is left out. The Community is already spending 55 million units on a scheme which leads to a subsidy worth 8p a pound but all EEC-produced butter sold.

Problems surrounding Britain's £15m shipbuilding contract with Poland, raising from labour unrest to complaints about subsidizing "commercial orders" and calls for a Parliamentary inquiry, are not, apparently, reaching the ears of the Poles themselves.

According to Andrei Konopacki, press counsellor at the Polish embassy in London, the order is "one of a series" and has not aroused much interest or emotion in Warsaw.

The widespread reporting of difficulties such as the overtime sum at Swan Hunter was, he said, "a typically British syndrome." It had become a suspense story true to the British character but nobody was making a fuss about it in Poland.

Reports that Poland was demanding as a condition of the contract assurances about labour relations were not true. "It is a contract with specific terms of delivery but the whole issue has been overshadowed. The internal relations between British Shipbuilders and the unions are not our affair."

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His now speech at the Savoy seemed apt enough in the circumstances. He said that, while the oil offered by North Sea oil, Britain no longer needed exchange controls. Overseas investment must be made free again, because contrary to what the trade unions particularly were afraid of, investment abroad did not mean less investment at home.

He supported the familiar argument that overseas investment could create jobs at home by pointing out that this year Unilever was exporting some £400m worth of goods from the United Kingdom — more than half of it the result of investment abroad.

He added: "We have never in Unilever turned down an investment in the United Kingdom because we wanted the money to invest somewhere else."

There is obviously no chance of the Hambo businessman of the Year award ever going embarrassingly to a high-flying newcomer whose wings might meet while the handsome silver trophy still stands freshly on the sideboard.

The eighth winner of this very establishment accolade is Sir David Orr, chairman of Unilever Ltd and deputy chairman of Unilever NV, who is president of the three-men Special Committee which runs the Anglo-Dutch multinational.

Sir David's career has been all solid achievement since age 26, with a first-class law degree from Trinity College, Dublin, and a law degree in his pocket, he joined Unilever as a management trainee.

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The eighth

## Frustrated BP issues ultimatum over Sardinian protein plant

From John Huxley  
Cagliari, Sardinia, Dec 5

British Petroleum officials said today that the company is looking at alternative uses for a £30m plant built in Sardinia to produce Tropine protein.

The 100,000 tons per annum plant should have come on stream 18 months ago, but is still not being allowed to operate by the Italian authorities.

Mr Hector Wats, managing director of BP Proteins, said that the plant, to produce protein for animal foodstuffs from n-paraffins separated from crude oil, is now costing £10m a year to finance and maintain. "In the interests of our shareholders we cannot go on like this much longer."

He confirmed that the company is giving serious consideration to pulling out of Sardinia if approval for production is not indicated within the next two or three months. The January 31 deadline set after fruitless meetings with the Italian authorities in the summer still stood, he said.

Mr Wats also said that BP lawyers are now investigating the possibility of taking legal action against the Italian authorities if BP is forced to liquidate.

The plant at Sarroch is controlled by Italproteine SpA, a 50-50 venture between BP and Anic, the petrochemical arm of ENI, the state energy company.

The prospects for alternative use or dismantling for removal to another site are limited. The company has more than its share of £40m (less than 40,000 tonnes per annum), although the project (as goes ahead) tied up at Sarroch.

Production was then again

suspended, pending plant modifications which, say BP, the authorities have not specified.

The doubts raised in Italy, the company says, have been considered by various international authorities, all of which have affirmed the safety of the product, which has been included in the draft directive issued by the EEC concerning suitable animal feedstuffs.

Despite the importance to BP of the Sardinian venture, the company is in earnest in its stated intention to withdraw.

The patience of the officials is exhausted, Mr Wats said. The market for protein know-how is substantial, but that countries are unlikely to buy unless it is still a new technology.

The project began in 1972

with the backing of the Italian government, which offered grants and favourable loan terms.

The production and marketing of Tropine has been approved in Italy on the basis of a decree from the Italian ministries of health, agriculture and industry.

On the first count, Mr Wats points out that n-paraffins are permitted in much higher concentration in foodstuffs for human consumption. On the second, he says that the plant meets fully every known regulation, and is in any case far freer from dust than say concrete plants.

Mr Green added: "We have been through all the right procedures and have got all the necessary approvals. Then they started raising new objections.

He had understood that it was reconsidering the whole matter and might make a sub-

## Hitachi denies loss of interest in assembly factory on Wearside

By Derek Harris  
Commercial Editor

Hitachi, the Japanese electronic group, last night strongly denied any intention to withdraw its application to the Government to establish a colour television assembly factory at Washington new town, on Wearside, in the North-east of England.

Hitachi's plan has caused increasing controversy as fears have grown of a net loss of jobs from setting up the factory. As a result the Government has delayed a decision on the Hitachi application until talks are completed with both the domestic electronic components industry and the trade unions.

The stated objections, say BP,

are to the product (it has been claimed for instance that paraffin residues found in pigs fed on Tropine are too high) and to the process (the authorities are worried by dust emission from the plant).

As these talks continued yesterday reports were circulating in the North-east that Mr Peter Viggers, Conservative MP for Gosport, had claimed in his constituency that Hitachi did not intend to move to Washington. Mr Viggers was reported to have made the comments while visiting the Thorn colour television factory in his constituency.

Mr Viggers said last night that he had been given to understand by a source he believed to be reliable that Hitachi did not now expect or intend to pursue its application to establish in Washington.

It seems unlikely that Hitachi has been trying to pressure the Government into a decision.



Mr Viggers: information given to him in good faith.

quent application to start a factory elsewhere in Britain.

He had not discussed the matter directly with Hitachi but the information had been given to him in good faith, Mr Viggers added.

A Hitachi spokesman said last night: "The company has no intention of withdrawing its application to establish at Washington new town."

The Department of Industry confirmed that there had been no lessening of interest by the Japanese company and that talks were continuing.

It seems unlikely that Hitachi has been trying to pressure the Government into a decision.

## 27,800 new dwellings completed in October

Builders completed 27,800 houses and flats in Great Britain during October, a slight drop from the previous month's total, but some 2,900 better than in October, 1976. Figures released yesterday by the Department of the Environment show that starts were also down on the previous month, but the October total of 24,600 was 3,100 up on the comparable 1976 period.

Taking three month totals to reduce the effects of month fluctuations, and discounting normal seasonal movements, total starts in August to October were up 2 per cent on the previous three months, May to July, but were 8 per cent lower than August to October a year ago. Completions were 5 per cent up on the previous three months but 1 per cent lower than a year ago.

## Loss-making port gains reprieve

A Scottish port which made an £80,000 loss this year has been given a reprieve for at least three years, Mr. John Sutton, managing director of the Firth Ports Authority, said yesterday that the Methil Docks in Fife, rumoured to be about to close, would be kept running, although they would be operating at a loss.

He told a Press conference in Glenrothes that a petrochemical complex may be built in Mossmorran, central Fife, and the port may be needed to bring in materials and equipment by sea.

## EEC production rises slightly

In the United States, franchise traders account for almost \$240,000m (about £133,500m) worth of sales and represent around 30 per cent of all restaurant receipts.

Estimates, based on United States government statistics are that franchising has shown a growth rate of 31 per cent over the past two years.

In Britain, according to Mr David Acheson, managing director of Kentucky Fried Chicken (GB), franchising is in an embryonic stage, but this is still the second largest market for the franchisers.

## Post Office review by Carter Committee 'omits important issue'

### Computer news

Concern that the important topic of the convergence of telecommunications with computing was not debated in the Carter Committee's review of the Post Office has been voiced in a joint statement by the British Computer Society and the National Computing Centre.

It is important to question the very basis of the Post Office monopoly, the two organisations say, if real progress is to be made for the provision, exploitation and use of appropriate data communications services.

They argue that the Post Office should continue to hold a monopoly as a carrier, but that the concession of any "communications" equipment to the Post Office network should be allowed. Switching by either the Post Office or a user should be permitted.

The Post Office can never be aware of all the factors that make it useful to switch and redirect traffic, the joint submission says. The existing switching monopoly inhibits the development and exploitation of socially useful technical possibilities.

The two organisations also believe that it is essential for there to be a firm commitment to a public switched digital data network by the early 1980s, and for such a network to be fully compatible at least with those in Europe and North America.

In the joint statement, the BCS and NCC point out that the "general licence for mass computing computers" (granted under Section 27 of the Post Office Act 1969) requires that a language or code comprehensible to the Post Office can inspect the computer, its messages and records of messages, and can monitor any message being conveyed.

These requirements, the two organisations suggest, are not easily justifiable "unless one thinks in terms of protecting the existing monopoly".

Bearing in mind both the number of users and the proposed changes in technology over the next 20 years, the society and the centre are concerned that Post Office policy and any restructuring will need to be "carefully evolved". These policies will have very considerable implications for all organisations concerned with data processing.

**FINANCIAL**  
Tesco n...  
sets sight...  
on EEC  
takeover

## Indonesian oil discovery is confirmed

Hudson's Bay Oil and Gas announces that the operator of Lipasca has successfully completed testing Pertamina-Lipasca Kartini number two in the south-east Sumatra contract area of Indonesia. It was reported in Calgary, Alberta, yesterday.

According to Mr. John Goodfellow, vice-chairman of the Association, steel committee and director of franchising for Dyno-Rod, growing numbers of people are seeking to use their redundancy payments together with gains from higher property values in set up business on their own.

The association, which formally launched itself last week, aims to protect new-

## British Franchise Association sets up code of trading ethics to aid entrants into rapidly growing market

comes from losing their savings in unscrupulous or ill-run operators.

By policing members and keeping to a standardized code of trading ethics it also hopes to prevent the Government from enacting "ill-conceived and hasty" legislation against franchising.

Members fear that antagonism arising from the adopting of the new franchise by traders driven out by legislation against pyramid selling and similar techniques has rubbed off on legitimate traders.

Eight of the biggest franchise companies who, with a combined turnover of over £105m and 1,300 outlets claim to represent

the officers believe that a further 23 operations would be eligible for membership.

In the United States, franchise traders account for almost \$240,000m (about £133,500m) worth of sales and represent around 30 per cent of all restaurant receipts.

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## FINANCIAL NEWS AND MARKET REPORTS

**Tesco now sets sights on EEC takeovers**

By Ashley Drucker

Increasingly higher turnover appears now to be crucial for supermarket groups since Tesco Stores (Holdings) dropped Green Shield stamps and started a regime of price cuts. The consequence, as with its High Street competitors, is that profit margins have been more than ever squeezed, underlined by Tesco's own decision to close more than 200 of its smaller units. The future, as Mr Leslie Porter, chairman, explained, is for stores of 20,000 sq ft or upwards. Less than a tenth of its 700 outlets have 20,000 sq ft.

Its latest move is actively seeking to take over one or more established stores chains in EEC countries, though none appear imminent. It does not currently have any designs to boost turnover. The main interest for Tesco is in seeking takeover of Europe "is to find further outlets for the group's international network of buying offices and bulk buying agreements".

The company is discussing a takeover with two store groups, one French and one German. Each operates only in its own country at present.

Talks with a number of other groups had come to nothing, he added. But in each case the talks were broken off by the other side, possibly because of sterling fluctuations against their own currencies.

**Whitecroft setback but rally on way**

A first-half setback at Whitecroft, the textiles engineering and property group, has ruled out a repetition of last year's record pre-tax profit of £5m. However, of this Manchester-based group went up from £23.8m to £26.8m over the six months to September 30, but pre-tax profits dropped nearly 18 per cent to £1.7m. This prompted a 10p fall in the shares to 176p.

Mr John Tavare, the chairman, says that the second half should produce better results but the group will not match its performance for 1976-77. The board continues its policy of investment in areas which promise growth, and "major contributions" are expected from this source next year.

Meanwhile, on attributable profits of £1.6m against £2.5m, the gross dividend is hoisted from £3.56p to 6.6p. Earnings a-share are 16.1p against 20.1p. Commenting on the setback, Mr Tavare says that operating conditions for some textile companies which service consumer products and some industrial applications have been severe. Moreover, the building and construction companies are finding

it difficult to obtain enough work at acceptable margins, and their profits have fallen.

In spite of this, the group's builders' and plumbers' merchants continue to do well, and the engineering manufacturing companies are increasing their order books and profits.

This is in line with the group's expectations at the end of last year. The order book of the engineering division had grown and higher profits were forecast for. However, Mr Ernest Gold, who retired from the chair at the annual meeting in July, said that the return on capital employed in this sector was still unsatisfactory but an improvement was looked for.

The textile subsidiaries had managed a 9.8 per cent increase in profits over the year thanks to its greater involvement in the specialist sector. It was placing particular emphasis on exports, and these markets were becoming increasingly important to the group.

The board was budgeting for more than £2m of capital expenditure on development and expansion of companies already in the group.

**WGI well on the road to recovery**

The recovery in the second half last year at WGI, the civil, mechanical and process engineer and maker of refractory materials, looks as though it has been carried on into the current first half. Pre-tax profits for the six months to September 30 leapt from

£261,000 to £497,000. The civil engineer side which caused most of the problems last year has made a £430,000 turnaround into a profit of £130,000. So with all the rest of the group's divisions now performing well it is expected that at least it will equal the record £1.2m

**Key issue for Dawson is strength of textile cycle**

By Bryan Appleyard

Dawson International, the quality textile group, increased its pretax profits by 43 per cent on sales up by 35 per cent in the six months to September 30.

Sales rose from £29.8m to

£34.2m and pretax profits from £3.3m to £4.04m.

The board says order books are now full and second half profits should exceed the first stage, though the directors would not commit themselves on whether they would beat the 26.2 per cent achieved in last year's second-half.

The current year is the third of the present upswing in the textile cycle, so the key issue now is whether Dawson's profits will slip back as they did in 1975 and 1971.

The board believes the cycle has been fundamentally changed by the intrusion of cheap imports at the lower end of the market and, in any case, the previous two troughs were deepened by external economic circumstances and the company's attempts at diversification.

Additionally the group has been strengthening its financial position with the aid of £2.2m in £1.2m from the disposal of its 50 per cent stake in Amcale Industries.

On trading, it says demand for all products has been at a high level throughout the first six months of the current year. In the case of Cashmere demand exceeds supply in spite of continually rising raw material prices.

Despite the rise in the pound the company is still finding its suppliers, especially China, are demanding "hard" currencies like the Swiss franc and the German mark. However, the company's internal process of generating foreign currency to pay for its materials is continuing to work successfully, though there will be no exchange profits at the year-end as there were last time.

The interim dividend at 2.636p gross incorporates all the allowable increase over last year, and the company has made it clear that it regards its current level of cover at around 8 as being too high.

**Bamfords nearly tops £1m**

The upward march of profits continues at Bamfords, the agricultural machinery, fencing materials and grey iron castings group, in which Frederick H. Burgess group now has a 57 per cent stake. Having managed a "reasonable increase" in its interim results, the group did not expect the second half's sales to match up.

This proved to be the case with sales of £7.69m being brought in compared with £8.4m over the first six months. The total for the year to September 30 went up from £12.3m to £16.9m and pre-tax profits nicely broke the £1m barrier at 1975/76 rates of £7.63m.

The dividend total is double that for last year at 2.66p gross. The current financial year has twelve months to run but the outcome should not be very different.

**Rustenburg warning on platinum prices**

Despite the recent increase in its platinum price from \$162 to \$175 an ounce, Rustenburg Platinum Holdings needs a much higher platinum price and better prices for its other metals to increase profits above those for last year, says Sir Albert Robinson, chairman.

Platinum demand was unlikely to increase significantly this year. Unless the current alliance was restored for the platinum industry in South Africa, the company's ability to market platinum would be "seriously impaired".

**Pearson Longman bid plans blocked**

Plans by Lord Cowdray's publishing and printing empire S. Pearson & Son to expand in the United States have been scuppered by the family interests of Lord Thomson. Subsidiary Pearson Longman's \$25 a share agreed bid for California-based Wadsworth Publishing has been topped by Thomson Equitable Corporation of Toronto which has picked up a 32 per cent stake in Wadsworth at \$31.50. The group, which owns a controlling interest in The Thomson Organization, is understood to be planning a bid for the balance.

Davenports Brewery recoups downturn

Davenports Brewery (Holdings), the Birmingham-based group headed by Mr Neville Frost, has recouped the slight interim downturn. After a 5.7 per cent fall at the halfway mark, pre-tax profits for the 12 months to end-September last climbed by 4 per cent to a peak £1.45m.

A final dividend of 2.984p boosts the total to the maximum permitted 4.12 gross per share.

**UNICORN INDUSTRIES**

Group discussing possibility of taking 50 per cent stake in Ceraflex Group, part of Swedish Atlas Copco. Unicron, the largest non-American abrasives group in the world, may also seek option for remaining 50 per cent.

**Stock markets****Gilts hold on to early gains**

Not even the smallest monthly gain in the wholesale prices index for 44 years could put any steam into a lethargic market.

At the outset most prices moved ahead a penny or so on small buying but thereafter they shied off just below their starting levels as investors continued to play a waiting game.

With so little action, bargains marked were just 4,100 dealers were left with plenty of time to discuss the prospects for 1976-77.

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Stores shares performed well above the market average with the notable exception of Burton A., which dipped 3p to 78p on news of a loss when the group are announced later this week.

Dealers will be more interested to see what sort of forecast is made. Elsewhere on the pitch Marks & Spencer added 3p to 161p while there were temporary gains from Boots at 219p and UDS at 92p.

In engineering unfavourable comment lowered GKN 6p to 578p and Vickers 6p to 181p. Machine tools manufacturer Elliott was lowered 8p to 99p after disappointing profits but two others in the sector fared rather better after statements, these being Matthew Hall, mentioned here and up 7p to 180p

and WGI where the gain was of 2p to 85p.

Comment also gave a boost to Martonair, up 5p to 160p, and speculative interest was directed into Associated Fibres, better by 3p to 55p.

I Bibby 10p to 120p and Glaxo 16p where the rise was 10p to 480p in the hope of better terms after the Seagram rejection.

After its annual report Martinair rose 7p to 175p in electricals, better by 3p to 245p.

It was where GEC edged ahead a penny to 43p but Associated Dairies was hit by selling and closed 8p down to 248p.

Sangers continued to react to last week's gloomy figures, shedding another 3p to 82p

while Redfern rose 7p to 285p in front of figures due today. Equity turned 10p to December 10, while Redfern rose 7p to 285p in front of figures due today.

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Up 11p on small buying last week publisher Benn Brothers moved with further support to close another 5p ahead at 70p. No names are mentioned as potential suitors, but one theory is that the group could soon go into the way of Morgan-Grampian, sold last month to Trafigura House.

Active stocks yesterday, according to Exchange Telegraph, were ICI, BT, National Westminster, BAT, ICI, GEC, GKN, Airtex, Dunlop, GEC, GKN, Airtex, Reed International, Royal Manganese, British Bronze, Elliott, Sangers and Lofes.

**Latest results**

Company	Sales £m	Div pence	Pay date	Year's total
Int or Fwd	£m	per share		
Atkins Bros (1)	4.6(3.6)	1.2(0.87)		(3.2)
Bamfords (F)	16.1(12.3)	0.88(0.88)	6/2	1.7(0.88)
American EC (O)	—	—		—
Cards Eng (1)	4.1(3.6)	35(25)		—
Carding Gp (1)	4.9(3.7)	1.7(1.3)	31/1	—
Daventry (F)	—	—		—
Dawson Int (1)	40.2(29.7)	5.6(3.9)	—	2.76(2.47)
E. Elliott (1)	31.5(27.5)	2.0(1.9)	2.5(2.0)	3.3
F. W. Evans (P)	1.5(1.2)	0.32(0.19c)	21/2	1.05(1.0)
Glen Inv (1)	—	—		—
Matthew Hall (1)	—	—		—
LDFs (1)	—	—		—
Maccold Min (1)	3.9(2.7)	0.50(0.38)		—
Mitchell Sims (1)	9.6(6.2)	1.2(0.88)		1.57(1.55)
W. E. Norton (1)	4.5(3.3)	0.28(M16)	56.4(37.60)	—
Smiths (1)	37.0(28.9)	3.5(2.3)	2.57(2.2)	16/1
Affred Friedy (2)	25.1(21.0)	0.29(0.20)	1.2	—
Samuelson F (F)	6.6(4.7)	0.63(0.33)	23.07(13.62)	3.1
Vinter Group (1)	1.8(1.6)	0.35(0.23)	0.5(0.5)	2.54(2.0)
Soganiams Gp (1)	—	—	1.51(1.0)	—
T. Warrington (1)	—	—	1.51(1.0)	—
WGI (1)	12.9(9.8)	0.69(0.67)	2.0(1.5)	2.71(2.7)
Whitbeck (1)	26.8(23.8)	1.7(2.1)	16.1(20.1)	4.4(2.3)

Dividends in this table are shown net of tax on per cent per share. Elsewhere in Business News dividends are shown on a gross basis. To establish gross add the net dividend by 1.515. Profits are shown pre-tax and earnings are net. Loss Forecast Adjusted for amendment of stock valuation.

## FINANCIAL NEWS

**Matthew Hall doubts on final quarter**

By Richard Allen

Matthew Hall, the mechanical services and process plant group, has pushed pre-tax profits up by 48 per cent to £4.3m in the nine months to September 30.

So the prediction from Sir Rupert Speir, chairman, that full-year profits will "achieve the £6m mark" is either a sign that the group is having a poor final quarter or simply a reflection of the group's caution.

Judging by past performance, the latter is almost certainly the case. Last year Matthew Hall made a total of £4.62m after predicting at least £4m.

Thus the group need only repeat last year's fourth-quarter performance to beat £6m and a figure in excess of £6.5m now seems a more likely outcome.

The nine-month tally has been achieved on the back of almost doubled trading profits of £1.8m from the oil, chemical and industrial engineering division.

Mechanical and electrical services increased trading profits 15 per cent to £1.9m, reflecting a relatively flat performance.

Sir Rupert, however, points out this is a more remarkable achievement since the building and construction industries generally have been suffering a severe recession.

The pre-tax total has also been swollen by over £1m compared with £548,000 investment earnings on the group's cash hoard, which could now be in excess of £10m.

The group justifies retention of these balances partly on the need for bonding on overseas operations and denies any take-over aspirations even though lower interest rates should now be trimming returns.

Meanwhile, the group reports that the total order book has increased to around £200m compared with £160m.

The interim dividend payment goes from 2.43p to 2.67p gross. Last year's total amounted to 9.76p gross.

**Mitchell Somers 42 pc ahead**

By Michael Clark

Mitchell Somers, in which Johnson & Firth Brown has at present a stake of 24.7 per cent, reports a rise in pre-tax profits for the first half to October 1 of 42.8 per cent to £1.2m.

Turnover of the West Midlands-based group, which earlier this year took control of Wolverhampton Die Casting, has increased from £6.2m to £9.5m. In spite of this margins slipped by 1 per cent to 13 per cent.

Nevertheless Mr L. J. Thomas, chairman, in his statement accompanying the results, says that the board is pleased at the outcome in what has proved to be a difficult trading period. But his board is confident that the group will be able to cope with the present cloudy industrial scene. Meanwhile it pays an interim dividend of 2.37p gross compared with 0.89p and intends to pay a final dividend of not less than 2.37p gross. This compares with £719,000 in the first six months

**Dull trading overseas trims B Elliott midterm outcome**

By Alison Mitchell

Difficult trading conditions overseas put the brake on interim profits at machine tool manufacturer and distributor B. Elliott.

In the six months to September 30 the group made a pre-tax profit of £2m against a previous £1.96m on turnover which showed a 14 per cent rise to £12.4m.

However stripping out the £258,000 post-acquisition profit from the Newell Group, taken over with effect from July 4, group profits slipped £200,000 against the previous comparable period.

And it was the overseas side which did the damage. According to Mr Mark Russell, chairman, there was a sharp downturn in the sales and profits in South Africa, Canada, which slipped into the red, and Australia. In total the overseas companies, after currency movements, contributed £145,000 to profit. This compares with £719,000 in the first six months

that there is unlikely to be any real improvement from this side in the current year.

In a more buoyant home market the United Kingdom division increased their profit contribution by a third to £1.6m. The improvement here was across-the-board and the chairman reports that a general upturn in investment has shown through to Elliott's order books.

About 30 per cent of manufactured goods are now exported and the longer-term potential for further overseas business is high. Several large contracts have recently been won by the group.

Although making no forecasts for the year ahead, Mr Russell reports that the signs are encouraging in the United Kingdom. All divisions have shown a substantial increase in orders during the past two months and second half figures will also include a full contribution from Newell.

Elliott has embarked on a heavy expansion programme



Mr. Mark Russell, chairman.

of last year and £143,000 in the second half.

The group is currently widening its North American markets to take in the United States but the chairman warns

**Mannesmann foresees drop in 1977 returns****International**

wholly-owned subsidiary of the Ciba-Geigy Corp., Glamorene makes a variety of home cleaning products.

**Morocco gets loan**

Morocco has obtained a \$325m (about £182.2m) seven-year bank loan from a syndicate led by Citicorp International Bank under loan agreements signed in London. Citicorp said the loan would bear interest that varies at 1.25 points above London Interbank offered rates (LIBOR) for Eurodollar deposits for the first three years and 1.25 points above LIBOR for the remaining four years.

Capital spending in the first nine months was DM423m. Mannesmann said spending for the year would fall short of 1976's record DM826m. The sales decline was due in large part to lower turnover in foreign subsidiaries. The group said—AP-Dow Jones.

**Agfa purchase**

Agfa-Gevaert of America has completed its purchase of the Low & Wolf X-ray divisions of IPCO Hospital Supply Corporation. Dr Albert Beken, managing director of Agfa-Gevaert and Mr John William, president of IPCO announced.

Agfa-Gevaert has acquired the assets of the two IPCO X-ray divisions, including Low's contract as exclusive United States distributor of Agfa-Gevaert X-ray film and other products for about \$35.2m (about £19.5m). The purchase price is payable within 12 months and is subject to possible adjustment, but any such adjustment is not expected to be material.

**CAIL keeps ahead**

The improved profitability of Coal & Allied of Australia (CAIL) continued into the current half-year and is markedly above the depressed first half of last year, the chairman, Mr William Howard-Smith, said. Consolidated net operating profit was \$45.55m (about £34.3m) for the year ended June 30. This was against \$45.5m in the similar period a year ago. Mr Howard-Smith said the group would make a further submission to the New South Wales Government on the 600 million tonne Warkworth coal deposits, near Newcastle in the coming week.

**Strike hits Pullman**

Mr Samuel Casey jr, president of the Pullman Company of America, manufacturers of transportation equipment, says that the company's 1978 fourth-quarter earnings could be lower than average levels if a strike at five of its Pullman standard plants continues.

Mr Casey said the company was losing \$2m (about £1m) a month as a result of a strike which began in October by the United Steelworkers of America.

**Vavasseur's latest capital re shaping goes through**

Proposal for the third partial reconstruction of J. H.

Vavasseur were passed yesterday

at an extraordinary general

meeting despite opposition from

certain first preference stockholders.

The group will now proceed with the one-for-one

share offer for its successor

advancing scripary, the 80.7

per cent owned Mills &amp; Allen

International.

Under the terms of the recon-

struction the clearing bank

Support Group, which has been

nursing Vavasseur since the

secondary banking crisis of

1973, will lengthen its loans

with the result that the reorga-

nized and enlarged group will

hold short-term debts of around

£203,000 and long-term borrow-

ings of £7.95m.

The reorganization means

that a holding of 100 Vavasseur

5s ordinary will become one of

11 new ordinary of 50p each

and, on this basis, 21.9 per cent

of the enlarged equity will be

available to holders of the Mills

&amp; Allen minority shareholders.

A further 22.7 per cent will be

controlled by Britain Arrow

Holdings (formerly Slesar

Walker Securities), the 7.7

per cent through London In-

democracy, other institutions will

take 13 per cent while Hambras

Group, whose merchant bank-

ing arm has advised Vavasseur

through all three restructurings,

will control 7.8 per cent.

**Briefly**

NCB PENS-BIT  
Bank Leumi Diamond, subsidiary of NCB, values offer for ordinary shares of British Investment Trust at December 2, at 165.3p a share. Guaranteed minimum cash price is £155p.

**BANK LEUMI LE-ISRAEL**  
To avoid additional pressure on share prices, Bank is postponing planned rights issue. Restoration when market conditions appropriate.

**SIR JOSEPH CAUSTON**  
Group where Sir Joseph St Aubyn has 30 per cent has swung from £10.4m to £20.6m in profits of £318,000. In view of the fact that at half year, improvement due substantially to temporary employment subsidy. No dividend to conserve resources. Chairman is Sir Christopher St Aubyn who has around 28 per cent of company.

**CHEMICAL BANK**  
Chairman, Mr. M. A. Wolfson, Federal Reserve Board approved increase investment in London bank from 30 per cent to 100 per cent. Name changes to Chemical Bank International.

**INCO BONDS**  
Group plans to raise \$150m on Eurobond market through sale of \$100m in seven year bonds expected to yield 10.5 per cent. Interest rate and \$100m offering of 15 year bonds expected to carry 10.8 per cent coupon.

**Business appointments****Group financial director for Howard Machinery**

Mr Richard Overend has joined the main board of Howard Machinery as group financial director.

Mr George Probert has become managing director of K Shees. Director Executive Posts in the Services Lines, which was recently restructured, was appointed.

Mr Bruce Patullo, director and chief executive; Mr. Thomas Bembridge, deputy chief executive and assistant director; Dr John Smith, secretary.

Mr T. L. F. Royle, chairman and chief executive of Hogg Robinson, has become chairman of the group of UK firms Hogg Robinson (Life & Pensions), Credit Insurance Association, Control Risks and Hogg Robinson Leasing. Mr J. P. S. Riddell has been made deputy chairman of Control Risks, chairman of Investment Managers and joins the board of Hogg Robinson Leasing. Mr T. E. Bridgeman, Mr H. C. Davies and Mr A. H. Oscrif have been made directors of the Credit Insurance Association. Mr M. J. Connell is to be a director of Hogg Robinson, Credit Insurance International and Dr R. Clutterbuck is now on the board of Control Risks.

Mr Roger Denning has joined director of Brown & Tawse. Mr. J. E. Rae has been made director of Brown & Tawse. Mr. J. E. Rae has been made director of Brown & Tawse.

Johannesburg

5th December 1977

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## Stock Exchange Prices

# **Subdued Trading**

**ACCOUNT DAYS:** Dealings Began, Nov 28. Dealings End, Dec 9. 5 Contango Day, Dec 12. Settlement Day, Dec 20.

§ Forward bargains are permitted on two previous days



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# The Times Reader Services Directory

## The who's who of what's where

### Business Services

**Adonis Comprehensive Office Services**, 150 Regent St., 01-439 6268.  
**A F International Translation Services Ltd.**, 203 Chalcroftwood Broadway, NW2 6NZ. Tel. 01-450 2521/5.

**Alam Arabic Translations**, 47 Aylwyne Rd., S.W.18. 01-947 1675.  
**Almond**, All types of acute paper & cardstock, cleared, bought, 01-822 2903.

**Arnold Monroe**, 01-690 1180, decorative lighting specialists.

**Auto Typing and Inkjet writing**, Letterwriter, 01-734 4115.

**Baldwin**, 01-734 4147, AT, PAE Service, Keen Admin., 01-465 9661.

**Centrifile Computer Services**, 2000, 01-734 4000.

**C.G.C. Ltd.**, Weyhill Garden 20163, Tankers, Skips, Toxics, Wat/Dry.

**Clear Drives (Industrial)** 24 hr Service, Freephone 5084, H.O. Marlow J12/12.

**DIG (Machines) Ltd.**, A complete computer service, 01-578 4565.

**Computer Services**, 01-734 4000, 01-734 4000.

**Company Searches**, Brian Warren, 46 Dalency Lane, N.W.1. 01-565 3661.

**Credit Card Charge**, by London-Wide Radio Taxi, 01-398 7045.

**Diamond Mail Cycle Newsagent**, 7 High Road, London, N.W.1. 01-342 3806.

**Direct Collection of Overdue Accts.**, 178 High St., W.3. 01-93 2139.

**E.O.S. Formatted offices** and all office services, 01-337 8901.

**Exhibitor Packagings**, to Overseas Trade Fairs, 01-281 2000.

**Executive Computer Services**, 3000, 01-734 4000.

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The fully inclusive price is £275 and your wife/husband can accompany you for only £175.

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South Hill Avenue, Harrow, Middlesex  
TWO SCHOLARSHIPS of £200 per annum will be available for examination on 11th March 1978. For boys aged nine to fifteen. Apply to the Secretary.

DIPLOMA IN Television Studies, Production and Direction, Television Training Centre, 32, Shaftesbury Lane, London, W.1. Tel: 01-585 6442.

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### BMW 3.0.S AUTOMATIC

No. 715. 1st reg. Oct. '74. 2dr. white/blue interior. 100,000 miles. £3,200. Tel: 01-585 6442.

FORD 1975 AMERICAN 6 CYLINDER

Reg. Nov. '75. White. 100,000 miles. £3,200. Tel: 01-585 6442.

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Saturn Diesel. P.A.D. vinyl roof. Sunbeam. 4x4. 100,000 miles. £3,200. Tel: 01-585 6442.

BMW 3.2 1974 (M)

Blue with black leather upholstery. Sunbeam roof. Electric windows. £3,200. Tel: 01-585 6442.

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Registered May 1977. White. pristine condition. Only 16,000 miles. £1,650. Tel: 01-442 4450 now 1.

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Dark red. M. regulation. carful owner. excellent condition throughout. £1,900. Tel: 01-727 7435.

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061-834 1234

Queries in connexion with advertisements that have appeared, other than cancellations or alterations, tel:

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27

**Appointments Vacant**

25

**Contracts and Tenders**

13

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25 and 27

**Educational**

6 and 13

**Financial**

13

**For Sale**

27

**Legal Notices**

12 and 23

**Local Notices**

25

**Notices of Births**

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**Notices of Death**

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**Notices of Marriage**

25

**Rentals**

13

**and Auctions**

13

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27

**Wanted**

27

**Bar No. replies should be addressed to:**

The Times

P.O. Box 2

Newspaper Square

Gray's Inn Road

London WC1X 8EZ

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On all cancellations a Slip Number will be issued.

Or say subsequently regarding publications.

Slip Number must be quoted.

**PLEASE CHECK YOUR AD.** We make every effort to avoid errors in advertisements. Each one is carefully checked and proof read. When thousands of advertisements are handled each day mistakes do occur and we ask therefore that you check your ad and, if you spot an error, report it to The Classified Queries department immediately by telephoning 01-837 1234 (Ext. 7180). We regret that we cannot be responsible for more than one day's incorrect insertion if you do not.

"The grass withered, the flower faded; but the word of God abides forever."

John 3:18

**BIRTHS**

**SUBURBIC**—On December 2nd at Queen Charlotte's Hospital, Oxford Street, London, Oliver Alexander & wife.

**BRIVERS**—On Dec. 5th at Beverley, to Elizabeth (neé Hutchins) and John ——. Son Henry Peter.

**BURROWS**—On Dec. 6th at Buntingford, to Alan Burrows and David ——. To Jan (née Porter) and Alan.

**COWARD**—On December 6th at St. Mary's Hospital, Whitchurch, to —— and ——. Sons —— and ——.

**GRAHAM**—On 3rd December at ——.

**HOPKINS**—A Memorial Service will be held at St. James' on Tuesday, 20th December.

**HOOD**—(Guitarist)—

**BLACKETT**—A Memorial Service will be held at the Vicarage, Chelmsford, for the Rev. Mr. G. Blackett, on Saturday, 10th December, at 12 noon on ——.

**IN MEMORIAM**

**LUMLEY**—In proud memory of John —— Lumley, 2nd Baron ——.

**THE MEMORIAL SERVICE** will be held at the Vicarage, Chelmsford, on Saturday, 10th December, at 12 noon on ——.

**HOPFALL-KNIGHT**—On Sunday, 4th December, at ——.

**ROBINSON**—H.M.Y.M.—In loving memory of ——. —— and ——.

**WILLING AND MARY**—

**WILLING AND MARY**—

**CHRISTMAS IN BOURNEMOUTH**

**SPEND YOUR HOLIDAY WITH HOTEL COURTLANDS**

**CHRISTMAS IN BOURNEMOUTH**

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